

KIRKLEES COLLEGE

REPORT AND

FINANCIAL

STATEMENTS

For the year ended 31 July 2021



**KIRKLEES
COLLEGE**



CONTENTS

	Page Number
Reference and Administrative details	2
Strategic Report	4
Governance Statement	24
Statement of Regularity, Propriety and Compliance	36
Statement of Responsibilities of the Members of the Corporation	37
Independent Auditors' Report to the Corporation of Kirklees College	38
Reporting Accountant's Assurance Report on Regularity	42
Statement of Comprehensive Income	44
Statement of Changes in Reserves	45
Balance Sheet as at 31 July	46
Statement of Cash Flows	47
Notes to the Accounts	48 to 76

Reference and Administrative Details

Board of Governors

A full list of Governors is given on page 24 of these financial statements.

Clerk to the Corporation

Mrs Joanna Green acted as Clerk to the Corporation.

Key Management Personnel

Key management personnel are defined as members of the College Senior Management Team and were represented by the following in 2020/21:

Mrs Marie Gilluley	Principal and Chief Executive, Accounting Officer (Left 31st July 2021)
Mr Palvinder Singh	Principal and Chief Executive, Accounting Officer (Started 7 th June 2021)
Mrs Carmen Gonzalez-Eslava	Vice Principal, Curriculum, Performance and Innovation (Left 28 th February 2021)
Mrs Julia Arechiga	Assistant Principal, Study Programmes to 31 st December 2020. Vice Principal, Curriculum, Performance and Innovation Started 1 st January 2021
Mr Mark Bennington	Vice Principal, Corporate Operations
Mrs Rebecca Meara	Executive Director of Finance
Mr Darren Rayneau	Executive Director of Business Systems
Mrs Jane Simpson	Executive Director of Human Resources and Organisational Development
Mrs Pauline Hughes	Assistant Principal, Quality and Apprenticeships
Mrs Philippa Firth	Assistant Principal, Adults and Higher Education
Ms Lisa Buckley	Assistant Principal, Study Programmes (Started 1 st January 2021)
Mrs Polly Harrow-Wright	Assistant Principal, Safeguarding and Inclusion
Mrs Helen Rose	Director of External Relations

Reference and Administrative Details (*continued*)

Registered Office

Kirklees College
Waterfront Quarter
Manchester Road
Huddersfield
HD1 3LD

Professional advisors:

Financial statement and regularity auditors:

Grant Thornton UK LLP
No. 1 Whitehall Riverside
Whitehall Road
Leeds
LS1 4BN

Internal auditors

TIAA Ltd
Artillery House
Fort Fareham
Newgate Lane
Fareham
PO14 1AH

Bankers:

Lloyds Bank plc
1 Westgate
Huddersfield
HD1 2DN

Kirklees Council
Civic Centre
Huddersfield
HD1 1WG

Solicitors:

Shoosmiths LLP
The XYZ Building
2 Hardman Boulevard
Spinningfields
Manchester
M3 3AZ

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Strategic Report

OBJECTIVES AND STRATEGY

The Governing Body present their annual report together with the financial statements and auditors report for Kirklees College for the year ended 31 July 2021.

Legal status

The Corporation was established under the Further and Higher Education Act 1992 for the purpose of conducting the business of Huddersfield Technical College. The College is an exempt charity for the purposes of Part 3 of the Charities Act 2011.

The Corporation was incorporated as Huddersfield Technical College. However, on 1st August 2008 the College merged its activities with Dewsbury College and at that date all assets, liabilities and activities of Dewsbury College were transferred to Huddersfield Technical College and Dewsbury College was dissolved. The Secretary of State granted consent to the Corporation to change the College's name to Kirklees College with effect from that date.

Mission

Kirklees College is committed to creating a culture of continuous improvement that challenges and stretches our ambition. We aim to be a desirable place to work and learn, exhibiting values and behaviours that encourage staff and students to be aspirational for themselves and inspirational to others.

The College's mission is:

'Creating opportunity, changing lives'

This mission statement was agreed following an extensive consultation exercise with stakeholders. The roadmap to the delivery of this mission was then established through a revision to the College values and its strategic plan. This mission celebrates the fact that Kirklees College is an institution that provides ladders of opportunity irrespective of previous academic achievement and changes lives through the power of high quality vocational education and training which deliver successful outcomes and progression to meet individual and community needs.

Implementation of strategic plan

On 1st February 2019, the Corporation formally approved amendments to the College's Vision for 2022. The review outlined the College's strategic priorities and the values that the College aimed to operate within to create a 'culture' that underpinned professional standards and behaviours.

The 2022 Vision was agreed as:

1. First choice in Kirklees for technical and professional careers;
2. Providing the best routes to apprenticeships and employment;
3. Specialist centres providing for local, regional and national needs;
4. Aspirational and inclusive in our expectations of our students and each other;
5. A proactive, innovative and trusted local and regional partner;
6. Good financial health;
7. A great place to work and study.

Strategic Report (*continued*)

The College values were refreshed as INSPIRE, guiding us to put students at the heart of everything we do and provide education to meet the needs of every student.



Inclusive - creating an environment where all individuals are treated equally and with respect

Nurturing our students and staff to get the best out of them and develop them continually

Supportive of our students and our staff, and creating an environment that demonstrates care
Pride for being part of the Kirklees College family

Integrity - transparency, fairness and honesty in our management and communications

Respect – respectful and supportive behaviour towards each other, our students and our community

Excellence – being the best that we can be

The College strategic objectives were updated to:

- 1 To ensure that all of our students develop personally and progress successfully into further training, employment or Higher Education.
- 2 To provide high quality teaching, learning and assessment which is innovative, inclusive and inspirational.
- 3 To provide safe learning environments with industry standard resources in high quality, sustainable accommodation.
- 4 To develop a culture of inspirational and creative leadership throughout the organisation.
- 5 To recruit, motivate and develop a highly skilled, effective and professional workforce which is representative of the communities we serve.
- 6 To consistently achieve our business targets and maintain financial sustainability.

Operational impact of COVID-19

The ongoing pandemic had a significant impact on all College operations. However, the college remained determined to ensure that the quality of the student experience was maintained and impact minimised as far as possible whilst operating within the guidance issued by central government.

Strategic Report (*continued*)

Following the rapid need to move to online learning experienced in 2019/20, the college was well prepared for the return to this delivery method on the second lockdown in January 2021. At that time, college sites were closed to all but the most vulnerable students and those requiring practical assessments to progress their apprenticeships.

The Learning Resource Centres provided outstanding support to individual students to access digital learning platforms, issuing hundreds of devices to students for remote learning. Tutors provided students and apprentices with highly effective resources using a wide range of digital software, providing effective assessment and keeping teaching, learning and assessment at a good or better standard.

Examples of innovative delivery included the Foundation Learning team using the chat functions on games consoles to first reach vulnerable students which then led to full engagement in online classroom environments. With highly vocational programmes such as catering, joinery, plumbing and plastering, several high-definition cameras were installed in workshops and kitchens to show different angles and viewpoints in order to demonstrate skills and techniques needed in the industry. The Construction team was featured in the 'Our Centre' showcase feature in the City and Guilds 'All About Construction' newsletter, showcasing the fantastic remote learning taking place during lockdown.

The college established a test centre at the Waterfront campus to be able to perform on-site lateral flow testing for students and staff. Effective relationship working with Kirklees Council enabled students at other centres to access the same tests at community facilities

As the lockdown ended and students returned to on site delivery, the college was



highly effective at encouraging and recording the use of tests, and was congratulated by the Department for Education as being one of the highest recording FE Colleges in the country.

Communications throughout the lockdown period were key and communications with students and staff were clear and regular, letting them know of any decisions made by the college and advising of the impact on them. Communication with vulnerable students was more enhanced, and responded to individual student risk assessments. The Safeguarding team continued to contact and support students "at risk", liaising with our key partner agencies such as the police, probation services and Calderdale & Kirklees Careers.

Students were supported financially through the college distributing support funds provided by the Local Authority over holiday periods, ensuring students had access to food outside of term time when college facilities were not available.

Strategic Report (*continued*)

Key achievements 2020/21

Key headline highlights against the college strategic objectives in 2020/21 include:



In November 2020, the college opened the doors to the Pioneer House Higher Skills Centre in Dewsbury, marking the end of an ambitious ten year estates transformation strategy. The historic Victorian Grade II listed building has been transformed into a state-of-the-art facility retaining many heritage features and providing a unique study environment. In addition to the new art workshops, fashion and textiles studio, science labs, classrooms and IT suites, there is an extensive Learning Resource Centre to support learners in their studies. The centre also boasts a hair and beauty salon, café, Starbucks coffee shop and dedicated social spaces.

The college was named Construction Apprenticeship Provider of the Year at the AAC Apprenticeship Awards 2021. In partnership with FE Week and AELP, the awards are a celebration of excellence in apprenticeship delivery in the UK, bringing together the country's best apprentice employers, providers and sector leaders.

The national accolade was awarded to Kirklees College in recognition of demonstrating best practice throughout the pandemic and providing a high-quality, industry-led training programme that allows new apprentices to step into skilled vacancies.



Kirklees College students joined the Student Commission on Racial Justice, a national student-led project giving thousands of young people a voice on racial justice designed by Leaders Unlocked, a social enterprise enabling young people to have a stronger voice and shape decision-making for a better future.

The project aims to explore young people's experience of racial inequality, exploring racial disparities in society and developing actions to address inequality. This commission reflects the college values of inclusivity and respect and exemplifies the college commitment to creating meaningful change in response to the Black Lives Matter movement.

Strategic Report (*continued*)

The college is particularly proud of the outcome of two key stakeholder surveys in 2020/21, those of staff and students.

In June 2021 the college ran a ‘pulse’ survey of staff and the outcome was compared against full external surveys undertaken in 2019 and 2020. Overall, 92% of staff felt that they were proud to work at Kirklees College which was 12% higher than in 2018/19. 89% of staff said that they would recommend the college as a good place to work, also up 12% on 2018/19.

The college also surveys its students regularly. In the final term of 2020/21, a survey of classroom based learners concluded that 94% of students considered the quality of their teaching to be good or better. 90% of apprentices stated that their lessons helped them effectively to build on their knowledge.

Resources

The College has various resources that it can deploy in pursuit of its strategic objectives.

People

The College employed an average of 657 full time equivalent staff in the year to 31st July 2021 (664 in 2019/20) of whom 300 (297 in 2020) are teaching or staff directly engaged in the delivery of the curriculum.

Students

The College delivered education to approximately 14,000 students. The college’s population included 3,572 16 to 18-year-old students, 1,524 apprentices, 146 higher education students and 279 advanced learner loans funded students. The college also delivered 8,496 adult enrolments.

Financial

Reserves excluding pension reserves increased by £1.2m in 2020/21, to £25.1m from £23.9m 2019/20. The College has net liabilities of £15.6m as at 31st July 2021 (net liabilities of £27.4m at 31 July 2020), including a pension liability of £40.8m (£51.4m at 31 July 2020).

Tangible resources as at 31st July 2021 include the main College sites in Huddersfield and Dewsbury and four other specialist sites situated in the Kirklees area. The College also holds £9.97m in cash.

Reputation

The College has a good reputation locally and nationally. Maintaining a quality brand is essential for the College’s success at attracting students and external relationships.

Strategic Report (*continued*)

Stakeholders

Kirklees College has many stakeholders. These include:

- Current, future and past students
- Staff and their trade unions. The senior management team are named at the front of this document. The trade unions of which Kirklees College staff are members are the University and College Union, National Education Union and Unison.
- The employers it works with.
- The wider local community.
- The Department for Education and its delivery agencies.
- Bankers.
- Kirklees Council, The Leeds City Region Local Enterprise Partnership (LEP) and the West Yorkshire Combined Authority.
- Other FE institutions and Schools.
- Professional bodies

The College recognises the importance of these relationships and engages in regular communication with them through the College Website and by meetings.

Public Benefit

Kirklees College is an exempt charity under Part 3 of the Charities Act 2011 and is regulated by the Secretary of State for Education. The members of the Governing Body, who are trustees of the charity, are disclosed on page 24.

In setting and reviewing the college's strategic objectives, the Governing Body has had due regard to the Charity Commission's guidance on public benefit and particularly upon its supplementary guidance on the advancement of education.

In delivering its mission, the college provides identifiable public benefits through the advancement of education to approximately 14,000 students including 517 with high needs.

Kirklees College provides courses without charge to young people, to those who are unemployed and adults taking English and maths courses. The college adjusts its courses to meet the needs of local employers and in 2020/21 provided training to 1,524 apprentices. The college is committed to providing information, advice and guidance to the students it enrolls and to finding suitable courses for as many students as possible, regardless of their educational background.

DEVELOPMENT AND PERFORMANCE

Financial results

The College has adopted the measure of Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) for monitoring financial performance. This measure adjusts the operating position for the major non-cash transactions (depreciation, capital grant releases, the defined benefit pension obligation operating credits/charges) and interest payable. In 2020/21 the College returned an EBITDA of £3.42m against an original budget of £2.93m (2019/20 £2.86m against an original budget of £2.79m).

Strategic Report (*continued*)

The Statement of Comprehensive Income shows a surplus of £11.8m, (2019/20 – deficit of £21.8m). This is stated after a favourable £14.9m exceptional movement in the actuarial valuation of the Local Government Pension Scheme, (2019/20 £18.3m adverse actuarial movement), and £4.2m (2019/20 £3.2m) of FRS102 operating charges in respect of the pension scheme. The underlying trading position without these pension movements and £0.7m in profit on sale of assets has improved from a deficit of £0.2m in 2019/20 to a surplus of £0.46m in 2020/21.

The exceptional actuarial credit relating to the pension scheme has been incurred due to a combination of factors, including volatile investment returns caused by the Covid-19 pandemic, combined with increased liabilities from changes in inflation assumptions and an increase in the discount rate. Further details can be found at note 25 to the accounts.

The LGPS pension scheme last underwent a full actuarial valuation as at March 2019, and at that time the fund was 106% funded overall. Although there will be an increase in contributions payable by the College from April 2022, this increase is in line with the assumption in the long-term financial forecast.

The College's accounts show accumulated reserves of £25.1m prior to the pension deficit reserve of £40.8m, i.e. a net unrestricted reserves position of negative £15.6m compared to the net unrestricted reserves of negative £27.5m in 2019/20. The Statement of Changes in Reserves on page 45 summarises the movements in more detail, the two major movements being FRS102 pension adjustments of £10.7m and the 2020/21 operating surplus including asset sales of £1.1m.

Tangible fixed asset additions during the year amounted to £3.53m. These additions were split between land and buildings additions of £2.14m and equipment additions of £1.39m.

Land and Buildings additions included £1.44m of final costs related to the refurbishment of the new Pioneer centre in Dewsbury. This project formed part of the College's wider Dewsbury Learning Quarter project which included the construction of the Springfield centre completed in 2018. The total project budget was £18.47million of which £11.12million was funded by the Leeds City Region Local Enterprise partnership (LEP), £4.85million funded by Kirklees Council and the balance from the College and ESFA FE capital allocation (FECA) funds. The completion of this project marks the end of an ambitious ten year strategy to completely update the college estate. The Pioneer centre opened to students in November 2020, and was delivered within budget.

Other land and buildings additions relate to further development to the Brunel Construction Centre to create additional capacity for substantial ongoing learner number growth, and smaller scale projects to address specific estates issues raised in a recent condition survey and funded by the college FE condition grant.

Within the £1.39m of equipment additions are £0.84m of furniture and IT related to the opening of the new Pioneer Centre. The balance of £0.55m was investment in IT, updated curriculum resources and security systems.

Financial Impact of Covid-19

Although overall financial performance targets were met, this was achieved through very careful management of the college cost base. Covid-19 had a significant impact on the college income. Whilst the government provided protection on 16-18 funding, adult funding was only partially protected and apprenticeship income was not protected.

Strategic Report (*continued*)

The college found it extremely challenging to meet the adult budget due to a combination of student reluctance to enrol in September 2020 as local Covid-19 case rates were extremely high, and the very high proportion of adult funding applied to provision for speakers of other languages, for whom online learning was not an effective mode of delivery. Despite retaining £0.7m in tolerance funding for adults, £1.2m of funding will be repaid to the ESFA in 2021/22. Provision for this repayment has been made within creditors in these financial statements.

Apprenticeship earnings were impacted by delays in apprentices being able to reach their End Point Assessment (EPA) due to the loss of practical workshop time and the resultant high demand on EPA organisations when lockdown ended. Our estimation of the impact of this on income is £0.5m

Furthermore, additional income was lost in refectory, conferencing and commercial activities impacting the budget by a further £0.9m.

Managing the pandemic response also resulted in additional costs including direct additional revenue costs of £25k for PPE, sanitiser and signage costs. The college directed bursary funds to provide IT equipment for students to be able to access online provision, and this was supplemented by a number of laptops provided directly by the Department for Education. The test centre was managed by college staff and students, so whilst not a cash cost did divert a number of staff from their normal duties for some time.

In response to the scale of this impact, the college moved quickly to assess what actions could be taken to mitigate the income loss. Actions included reducing revenue budgets, a halt on staff recruitment, and assessing what government support schemes were accessible. The college applied to the 'Job Retention Scheme' and furloughed a number of catering staff. The grant received can be seen at Note 4 of these financial statements. The college also received £25k in direct Covid support funding which can be seen at Note 2 to the accounts.

Cash flows and liquidity

There was a net cash inflow from operating activities of £9.36m in 2020/21 compared to £4.37m in 2019/20. The Statement of Cash Flows analyses the movements in cash flows in more detail. £1.3m of Restructuring Fund debt and £0.75m of other debt was repaid during the year.

Cashflow Impact of Covid-19

As described above, the college responded quickly to manage costs to mitigate the loss of income, and cashflow was therefore effectively maintained. Throughout the pandemic, the college remained committed to paying suppliers promptly as debts fell due, and contractual commitments were honoured.

Capital Developments

In 2020/21 the main capital development was the refurbishment of Pioneer House. The college holds this asset under a long lease, accounted for in the 2019/20 financial statements. £2.28m was spent during the year, and the new site opened to students in November 2020. Investment continued at Brunel House in response to continued growth in demand for construction skills training. In February 2021 the college disposed of the final surplus estate, the Halifax Road site in Dewsbury. These two major capital projects mark the end of a ten year estate transformation programme, investing over £100m in five new centres, disposing of eight sites, vacating a further two and reducing space by 39% since 2010.

Strategic Report (*continued*)

Other Developments and events

The college finalised 'Project-T' actions, the college long term project to transform back-office systems and processes through smarter working. The project has delivered substantial efficiencies since 2019/20 and will continue to do so in the future.

In June 2021 the college welcomed Prime Minister, Boris Johnson to the Springfield Centre. He was shown by students how to build parts of an engine, including lapping valves and changing and refitting spark plugs in motor vehicles and took part in etching, screen printing and lino printing in Creative Industries.

The visit offered a valuable opportunity to showcase what vocational education has to offer and how the college is contributing towards the future of the economy.



The Prime Minister Boris Johnson said:

"Kirklees College has done a brilliant job helping students thrive during the pandemic and I met some inspiring teachers and talented students who are learning everything from mechanics to screen printing".

Student numbers

In 2020/21 the College delivered funded activity that has produced £32.1m in ESFA funding (2019/20, £30m). The College delivered to approximately 14,000 funded learners from these allocations, including 1,500 apprentices and 9,000 adults. In 2020/21 the College delivered to 3,573 16-18-year olds, 70 more than the 3,503 contracted for and 35 more than 2019/20, meaning that allocations for 2021/22 have been increased through the lagged funding methodology.

Curriculum achievements

In March 2018 the college was reassessed by Ofsted as a 'Good' provider. Although there has not been a formal Ofsted inspection since that time, the college has self-assessed as remaining a 'Good' provider overall for 2020/21. Achievement rates overall have increased by 4% since 2018/19.

The college is particularly proud of progress made by students in disadvantaged groups. Against a national picture of vulnerable and disadvantaged students struggling during the pandemic, the college has improved achievement rates for students in receipt of free school meals by 8% to 88% since 2018/19, and achievement rates of high needs students is outstanding at 91% in 2020/21.

The College has a strategic focus on providing the skills, knowledge and expertise required to address skills shortage areas and support economic growth in Kirklees and the wider Leeds City region. To ensure that the right curriculum is offered to meet employers' needs and key regional skills shortage priorities, the College has had significant strategic focus of developing excellent relationships with a wide range of employers. The College is becoming an acknowledged centre for the delivery of training for industry in engineering and process manufacturing, which is of strategic economic importance in Kirklees.

Strategic Report (*continued*)

Students benefit from the high expectations, levels of support and subject expertise of staff which ensures that they develop the required academic knowledge and practical skills in order to successfully complete their programme and progress into further learning or employment in the industries that learners aspire to move into.

Particular areas of celebration in 2020/21 have been:



Staff from the Creative Industries team worked tirelessly to bring an inspiring piece of sculpture to reside on the roof of the new Pioneer House Higher Skills centre.

The sculpture by world-renowned artist Sir Antony Gormley titled WORK marked the launch of the Dewsbury Public Art Plan: Creative Town – an initiative seeking to honour the heritage of the town and build on recent investments.

Speaking about his latest sculpture, Antony Gormley commented:

"I am delighted to mount WORK on the roof of Pioneer House as a celebration of our hands-on making culture. Having spent a lot of my childhood in Yorkshire, I came to love its open moors and strong communities that coexist within an open landscape. It is an honour for me to have a work on the skyline of this fine building created by the co-operative movement, that expresses so well the spirit of the town and region. I intend the work to be part of that history and of the building, but also to look out to the wider world."

The installation of the sculpture will also be part of a schools engagement project to enable the college to interact with people of all ages in the local community by raising awareness of public sculpture and the creative arts.

Kirklees College was named one of the top three users nationally of EMSI Careers Coach in 2020.

This fantastic online tool is helping our students to find the right career for them

 **Emsi**
Career Coach

Congratulations to
the **Top 3 Users** of
Career Coach in 2020.



 DUNDEE AND ANGUS
COLLEGE
Leading Learning, Inspiring Futures

 CAMBRIDGE
REGIONAL COLLEGE
GREAT CAREERS START HERE

 KIRKLEES
COLLEGE

Strategic Report (*continued*)

Student achievements



Gurjitt Natt, Supply Chain apprentice at Kautex Textron was shortlisted for the Transport and Logistics Apprentice 2021 at this year's BAME Apprenticeship Awards.

The award's received a record number of nominations with more than 300 apprentices nominated nationally across a wide range of categories, so Gurjitt fought off some tough competition to become a finalist. The BAME Apprenticeship Awards in partnership with Pearson, showcases the outstanding work and achievement of apprentices from black and minority ethnic groups (BAME) and inspires BAME apprentices to reach their full potential.

Lucas Murgatroyd, a Level 3 Electrical Installation apprentice placed runner-up at this year's SPARKS Apprentice of the Year competition.

The competition runs annually and offers electrical students and apprentices the chance to show off their skills and provides the opportunity for them to kickstart their career. Lucas fought off the rest of the local competition after winning regional heat, before completing the online test to make the top three. The one-day live final took place at Kirklees College.

Lucas said: "*It was quite challenging and different to what I expected but I managed to get the tasks completed in the time given. I practised a lot of conduit and clipping but the testing at the end was tricky. Overall, I'm really happy with my performance.*"



In March 2021, the Process Manufacturing and Health and Social Care departments celebrated a 100% pass rate in their End Point Assessments. The Supply Chain and Adult Care apprentices all achieved a pass or higher in their End Point Assessment and are now progressing to the next stage of their careers. These outstanding results were a testament to the effort and commitment demonstrated by both the apprentices and employers.

Strategic Report (*continued*)

Lily Robinson, Art and Design student was awarded the prestigious BTEC Award for Art and Design Learner of the Year 2021.

Lily was praised for how her passion for fashion fuels her practical work, which is extensive, skilful, detailed and original. Her work ethic and entrepreneurial spirit were applauded by her teachers, noting Lily as a young person of great character and demonstrated by the way she copes with her physical disability and a willingness to mentor and care about her classmates.



Team Demeter at Kirklees College secured first place in the National Skills Challenge for their business and marketing concept for a brand-new video game, Demeter.

Business students Amelia Gaughan and Amelia Olejnik won a free ticket to epic gaming event, Stack Fest, as well a visit to London with Staffordshire University to learn how to transform their passion for games into meaningful careers.

Manufacturing Engineering student, Sam Batchelor won the IET West Yorkshire Local Network Prize for Student Excellence, which recognises individuals for their outstanding achievements.

Sam showed a real flare for multi-discipline engineering and produces work to the highest of standards with distinctions in all subjects in his first year and currently working at distinctions in his second year. Sam aspires to progress to Higher Education and has been accepted at all of the universities he has applied for.



Strategic Report (*continued*)

Curriculum developments

The College continues to offer a curriculum strong in breadth and depth, including courses from entry level to Higher Education opportunities. There has been a very strong focus on listening to and working with a wide range of employers, this has led to curriculum development, new apprenticeship programmes and bespoke full cost training.

Future curriculum developments will focus on skills shortage areas, local and regional LEP priorities and employer identified demands, together with preparing for the college T-Level offer from 2022/23.

Environmental matters

The College continues to seek to minimise its impact on the environment and reduce its carbon footprint. The continued improvement of the College's building estate condition, following the completion of the recent new build projects, has seen a significant improvement in the level of environmental controls, which is delivering benefits to both students and staff. All of the College's estate are in Building Condition bands A & B.

The College continues to maximise the opportunities offered through SALIX funding with a further series of initiatives being undertaken to reduce the College's energy bills and improve overall operating efficiency. The College will continue improvement in existing systems to further reduce the energy consumption. This will be mainly achieved through improving the Building Environmental Management Systems (BEMS) on our larger scale plant.

Key environmental measures initiated include the installation of LED lighting throughout the estate and the installation of electric car charging points at all sites. College fleet vehicles are being replaced with electric vehicles as contracts expire.

Streamlined energy carbon reports can be viewed on under the policies and reports page of the college website as they are published.

Reserves

The college has accumulated income and expenditure reserves (excluding pension reserve) of £25.1m and cash reserves of £9.96m. The college wishes to continue to accumulate reserves and cash balances in order to fund future capital investment.

Sources of income

The College places significant reliance on the education sector funding bodies for its principal funding source, largely from recurrent grants. In 2020/21, funding bodies provided 85% of the College's total income. The largest proportion of funding comes from 16-18 Education and Training, which grew by £2.97m (16%) on the previous year .

FUTURE PROSPECTS

Future developments

As the college is approaching the end of its 2018-22 strategic plan, during 2021/22 the College will revise its strategy in response to the content of the FE White Paper and the current education climate. This critical piece of work will be informed by a full stakeholder consultation, 'Your Voice, Our Future' being undertaken over the Autumn of 2021.

Strategic Report (*continued*)

The immediate focus for our curriculum will be the preparation for T-Level delivery, which the College has been approved to deliver from September 2022, and the continued development of the curriculum in association with employers. The College also plans to launch and deliver on a new digital strategy, aimed at transforming our curriculum delivery, staff skills, operations and processes through the use of digital tools.

Our College remains determined to continue raising standards in everything it does. We have demonstrated significant improvements to the learner experience; financial health, the support we provide for our students and the quality of teaching and learning provided and will seek to continue this drive over the next strategic plan period.

In August 2021, the college signed up to the Black FE Leadership Group (BFELG) Ten Point Plan and became an affiliated organisation. Throughout 2021/22 the college will be implementing the ten point tool kit to inform its anti-racism strategy and promote equality within the college community. The affiliation follows the college 'Stand Together' Pledge which was launched in 2020/21 to promote equality and show solidarity in the college community.

Financial Plan

The college governors approved a financial plan in July 2021 which set objectives for the period to July 2022 which aims to consistently improve financial resilience.

Treasury policies and objectives

Treasury management is the management of the College's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College has a separate treasury management policy in place.

In March 2010, the College agreed a long-term borrowing facility of £23.4m from the Local Authority at a fixed rate for 25 years of 5.08% to part finance the £85m major capital build projects in Huddersfield. As part of the College recovery plan supporting the 2017/18 Restructuring Fund application, the Local Authority agreed a one-year payment holiday in 2019/20 which resulted in the loan term being extended by one year to March 2036.

In November 2018, the College agreed a £3.8m borrowing facility with the Department for Education through the Restructuring Fund. Interest is payable at 0.25% above the Public Works Loan Board (PWLB) standard rate. The loan is repayable by February 2022. £2m was repaid during 2019/20 and a further £1.35m was repaid in 2020/21. The financial performance covenant attached to the Restructuring Fund loan was met during 2020/21.

These financial statements include provision for the repayment of £1.42m to the LEP in respect of an overage clause to the Process Manufacturing Centre grant agreement. Accounting standards require this to be treated as a 'loan'. The repayment amount in February 2026 is fixed at £1.42m. This sum has been discounted back to arrive at a value at drawdown reflective of the prevailing commercial rate of interest at the time, and the balance is being amortised annually until it reaches the repayment sum by the repayment date. At the July 2021 year end, £1.16m is disclosed within loan balances due in over one year, the remaining £0.26m is disclosed within other creditors due in over one year.

The establishment of all borrowing requires the authorisation of the Corporation and shall comply with the requirements of the Financial Memorandum.

Strategic Report (*continued*)

Reserves Policy

The College has no formal Reserves Policy, but recognises the importance of reserves in the financial stability of any organisation, and ensures that there are adequate reserves to support the College's core activities. As at the balance sheet date, the Income and Expenditure account reserve (excluding pension reserve) stands at £25.1m (2020: £23.9m). It remains the Corporation's intention to increase reserves by the generation of annual operating surpluses.

PRINCIPAL RISKS AND UNCERTAINTIES

The College has well developed strategies for managing risk and strives to embed risk management in all that it does. The Governing Body has overall responsibility for risk management and its approach to managing risks and the system of internal control is explained in the Governance Statement.

The Risk Management policy and procedure was redesigned in 2019/20 to place a greater focus on managing risk down through the identification of actions. This review was welcomed as a positive by the Senior Leadership Team and the Governing Body. With effect from 2020/21 the risk register has been considered in detail by the audit committee on a termly basis before being presented to the full Corporation meeting.

A "heat map" procedure is applied to assess levels of risk. The Risk Register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate the risks. Risks are prioritised in a RAG (Red, Amber, Green) manner which gives the College an easily recognised picture at a glance but with the detail beneath it as and when required. The Risk Management Policy and Procedures identify the inherent risks, the residual risks following implementation of appropriate controls and also show a target risk profile.

The Senior Leadership Team also consider any risks which may arise as a result of a new area of work being undertaken by the College, and have separate risk registers for any major capital building projects. Outlined below is a list of the risks that the College has assessed as its key risks as at July 2021. Not all the factors are within the College's control.

- Failure to manage College operations effectively during the pandemic;
- Failure to equip students with the skills they need to successfully progress;
- Failure to meet employer expectations;
- Failure to improve outcomes and learner experience on English and maths;
- Failure to protect the health, safety and wellbeing of staff and students;
- Failure to protect college physical and digital resources and data;
- Failure to diversify income streams;
- Failure to meet business plan targets.

Strategic Report (*continued*)

KEY PERFORMANCE INDICATORS

Financial objectives

The College financial objectives were revised as part of the 2018 Restructuring Fund (RF) application. The objectives and performance against them are as follows:

1. *Earnings before Interest, Taxation, Depreciation and Amortisation (EBITDA) at a minimum of 8%*

2020/21 EBITDA performance was 8.8%. This is considered an excellent outcome given that income was significantly lower than forecast as a direct result of Covid-19 in the year. The final EBITDA outturn was £0.5m higher than original budget and in line with the forecast returned to the ESFA in July 2021.

2. *Overall 'Good' financial health by the end of 2021/22*

The target for 2020/21 was to sustain 'requires improvement' status achieved in 2018/19 from 'inadequate' in 2017/18. Actual financial health for 2020/21 has improved to 'good' and this has been achieved a year ahead of RF plan (based on the calculation methodology used being as RF plan).

3. *Cash balances at a minimum of 30 days with the exception of the traditional March pressure point*

This has been achieved throughout the year.

4. *Debt to income ratios not exceeding 40% by July 2023*

The debt to income ratio remains high at 49% due to a combination of longstanding debt drawn to fund the Waterfront campus in 2010 and the short-term Restructuring Fund loan. The planned level of debt within the Restructuring Fund plan at the end of 2020/21 was 46%, so the College performance is behind the recovery plan on this measure. The key reason for this is the inclusion of the unamortised LEP overage as a 'loan' feeding into this calculation.

This ratio has however reduced by 7% in 2020/21 and the July 2021 financial plan shows that the college remains on track to achieve the 40% target by the target date. This will be achieved through the planned repayment of the balance of the Restructuring Fund loan, and through ongoing annual repayments of the Local Authority loan.

5. *Staff to Income ratio no more than 65%*

This target has not been achieved in 2020/21 - the final outturn was 66%. The ratio has increased nationally for this indicator, driven partly by increased pension costs which have been 100% funded by income, but the College remains above this increasing national average. The College management team remain focussed on keeping control of staff costs, but use this measure more as an indicator of efficiency rather than a hard rule. The College recognises that some activities are in-house delivered such as cleaning and refectory services, and this pushes the ratio higher than other institutions.

Strategic Report (*continued*)

Contract performance

The College exceeded the 16-18 learner number and cash allocations within its ESFA contract for the 2020/21 funding year, returning 3,573 against contracted numbers of 3,503 and the contract for 2021/22 has been increased as a result.

Performance against the Adult Education Budget has been substantially impacted by Covid-19 and the 2020/21 outturn was 74.8%. Despite a 90% tolerance threshold, £1.1m will be repaid to the ESFA between December 21 and March 22, and this is held on the balance sheet as at 31 July 2021 within creditors due within one year.

Payment performance

The Late Payment of Commercial Debts (Interest) Act 1998, which came into force on 1 November 1998, requires Colleges, in the absence of agreement to the contrary, to make payments to suppliers within 30 days of either the provision of goods or services or the date on which the invoice was received. The target set by the Treasury for payment to suppliers within 30 days is 95%.

During the year ended 31 July 2021, the College paid 87.06% (2019/20 91.36%) of its invoiced values within 30 days of receipt and 86.87% of invoice volumes (2019/20 93.64%) were paid within 30 days of receipt.

Whilst the data for 2020/21 above has fallen on 2019/20, the average days credit taken in 2020/21 remained low at 24. The College incurred no interest charges in respect of late payment for this period.

EQUALITY AND DIVERSITY

Single Equality, Diversity and Inclusiveness Strategy

The College strives to embed all aspects of Equality and Diversity in everything we do. We pride ourselves on being a welcoming and inclusive College with a real commitment to continually raising awareness of equality and diversity matters and minimising discrimination and prejudice.

The Single Equality Strategy (SES) brings together our commitments to equality, diversity and inclusiveness, and our equality ambitions and plans across the organisation. It embraces all members of our College community and its objectives demonstrate our wholehearted commitment to continued action in tackling inequality and promoting diversity and inclusiveness. We will continue with our efforts to break down barriers and challenge unfairness, and ensure opportunities and experiences provided by the College help people and communities reach their full potential. The college efforts in this regard will be further enhanced in 2021/22 through its affiliation with the Black FE Leadership Group.

The College is committed to ensuring equality of opportunity for all who learn and work here. We respect and value positively differences in race, gender, sexual orientation, disability, religion or belief and age. We strive vigorously to remove conditions which place people at a disadvantage and we will actively combat bigotry. The Equality and Diversity policy is implemented and monitored on a planned basis and is published on the College website. The College also publishes an annual Equality Report to ensure compliance with all relevant equality legislation including the Equality Act 2010. The College undertakes equality impact assessments on all new policies and procedures.

Strategic Report (*continued*)

The College is a 'Positive about Disabled People' employer and has committed to the principles and objectives of the Positive about Disabled standard. The College considers all employment applications from disabled persons, bearing in mind the aptitudes of the individuals concerned, and guarantees an interview to any disabled applicant who meets the essential criteria for the post. Where an existing employee becomes disabled, every effort is made to ensure that employment with the College continues. The College's policy is to provide training, career development and opportunities for promotion which, as far as possible, provide identical opportunities to those of non-disabled employees.

The College has committed to the 'Mindful Employer' initiative to assist the mental health wellbeing of staff.

Trade Union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 require the College to publish information on facility time arrangements for trade union officials at the College.

For the purpose of industrial relations, the College recognises UNISON and UCU working collectively together to resolve any employee related issues. Therefore, a number of the College's employees also carry out Union duties as part of their role; the number of employees undertaking these roles are:

UCU – 5 employees

UNISON – 6 employees

Of the above, all 11 of these employees have spent 1-50% of their working hours on facility time. This can vary on a month by month basis depending on casework and/or College plans during that time. However, these hours would not go above the 50% mark.

During an academic year, UCU reps are allocated hours per individual. During this period UCU have spent 892 hours on facility time. These hours are used for anything Union related such as meetings, hearings, discussions etc. The hours set for remission are set at the beginning of the academic year and UCU ensure that they do not go beyond these hours.

Unison have spent 1,840 hours during this period. The hours used per month can vary throughout the year, therefore this may alter slightly as a year on year comparison. Again, these hours are used for anything Union related e.g. meetings, hearings or discussions.

The total percentage spent for paid trade union activities against the total pay bill amount equates to 0.14%. The total percentage of total paid facility time hours spent on paid Union activities equates to 9.46%.

GOING CONCERN

The financial health of the College had been a challenge for a number of years due to the level of historic debt from investment in the College's estate in 2010. With the exception of the 2017/18 financial year, the College has returned healthy cash based operating performance over recent years in spite of the underlying debt position, but years of responding to continued funding cuts and the need to improve the estate had an adverse impact on the Colleges solvency position.

Strategic Report (*continued*)

In 2017/18 the College self-assessed its financial health as 'Inadequate'. The ESFA concurred with this assessment and in October 2017 referred the College for FE Commissioner intervention. In response to the FE Commissioner recommendations, during 2017/18 the College prepared a comprehensive financial recovery plan which outlined a range of actions that would be taken to address the deteriorating financial position.

The plan was well received by the FE Commissioner team, and, following a visit in March 2018, the College received confirmation of the 2015 Area Review panel decision that the College should continue to remain a standalone institution and the FE Commissioner team recommended that a 'Fresh Start' application to the Restructuring Fund should be made recognising the significant progress that had been made in addressing the concerns raised at their initial visit.

The Restructuring Fund package of £3.8m loan and £6.6m grant was formally agreed and funds received by the end of March 2019. This package alongside actions taken by the College to improve its operating performance placed the College on a much firmer financial footing. Operating performance (one of the three key financial health measures along with solvency and debt to income ratios) has been sustained at a 'good' level in 2020/21 and solvency has continued to improve significantly. However, levels of debt remain high. £2m has been repaid in 2020/21 and a further £1.3m is forecast to be repaid in 2021/22. Under the method of financial health calculation on which the RF plan was based, the college has achieved 'Good' financial health in 2020/21, a year ahead of planned.

Although the accounts show a net liability position of £15.6m, the balance sheet is being impacted by a significant negative pension reserve of £40.8m. This liability is a long-term liability and the college is making contributions in line with the requirements of the pension scheme. At the date of the last full actuarial valuation in March 2019, the fund overall reported a funding level of 106%. Furthermore, the college has adequate provision within its future financial plans to meet the obligations arising from the reassessment of employer contributions from the March 2019 actuarial valuation which took effect from April 2020 and will run until March 2023.

The adjusted current ratio position as measured by the ESFA has improved from 1.28 in 2019/20 to 1.42 in 2020/21. This has been made possible by a combination of ongoing improvements in the operating position combined with the successful disposal of the last of the college surplus estate.

In preparing an assessment of going concern, the College has prepared a financial forecast that covers the period from August 2021 to July 2023. This forecast has been based upon a financial plan approved by the Corporation in July 2021, adjusted to reflect subsequent changes in the timing of capital expenditure, the notified increase to national insurance contributions and actual 2020/21 performance. The impact of Covid-19 on the forecast has been considered, and the college assessment is that any additional costs in 2021/22 arising from the pandemic can be absorbed within existing budget contingencies.

This forecast has been further underpinned by a comprehensive sensitivity analysis, which has considered 2021/22 enrolment as at October 2021, and models the financial plan and cashflow implications of no further enrolments against fee paying programmes, a reassessment of the 2022/23 contract for 16-18 activity, and a £0.5m shortfall in activity against the Adult Education Budget, but no cost mitigations in either the pay or non-pay budgets.

This exercise concluded that even under these extreme circumstances, the college has sufficient liquidity to continue to operate within available facilities for more than twelve months from the date of the approval of these financial statements.

Strategic Report (*continued*)

The assessment confirmed a risk highlighted in the July 2021 financial plan, that unless advance agreement is secured from the Department for Education, the College will breach a Restructuring Fund loan performance covenant in 2021/22 as a result of a change in timing of capital expenditure on the Pioneer House capital project and the clawback of the Adult Education Budget underperformance in 2020/21. This is not however considered to impact on the going concern assessment. This is because by the time the risk has crystallised, the outstanding balance of the Restructuring Fund loan (£0.5m) due in February 2022 will have been repaid in full. The college projects it will have sufficient cash reserves to make this repayment when it is due.

Whilst uncertainties remain in respect of future enrolments and resultant funding, the College believes that there is an adequate level of flexibility within the staffing budget to be able to absorb short term reductions in income such that the operating position and cash flow can be sustained.

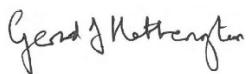
The Corporation, having considered the forecasts, sensitivity analysis and covenant requirements as described above, has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future (being a period to end of the 2022/23 financial year) and accordingly the going concern basis has been adopted in the preparation of these financial statements.

DISCLOSURE OF INFORMATION TO AUDITORS

The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Corporation on 13 December 2021 and signed on its behalf by:

Signed



Mr G Hetherington, Chair

Date

13 December 2021

Governance Statement

The following statement is provided to enable readers of the annual report and accounts of the College to obtain a better understanding of its governance and legal structure. This statement covers the period from 1st August 2020 to 31st July 2021 (the “Relevant Period”) up to the date of approval of the annual report and financial statements (the “Approval Date”).

The College endeavours to conduct its business:

- i. In accordance with the seven principles identified by the Committee on Standards in Public Life (selflessness, integrity, objectivity, accountability, openness, honesty and leadership);
- ii. In full accordance with the guidance to colleges from the Association of Colleges in The Code of Good Governance for English Colleges (“the Code”).

GOVERNANCE CODE

An internal review of compliance with the Code was undertaken by the Clerk with oversight from the Search and Governance (“SAG”) Committee and the findings reported to the Governing Body in September 2021. Stakeholder responsiveness (as defined in the ‘Responsiveness’ section of the Code) was identified as an area that would benefit from an increased governance focus, particularly in light of the need to respond to the Skills for Jobs White Paper and the Government’s skills agenda. At the SAG Committee’s request, alongside its compliance review findings report, an assurance report on employer engagement and partnership working was received and discussed at the 24 September Governing Body meeting.

Having thus gained additional assurance in this area, and after considering the advice of the SAG Committee with respect to overall compliance with the Code, Governors concluded that the College was compliant with all aspects of the Code, having satisfied throughout the year ended 31 July 2021 all other mandatory and advisory elements.

The Governing Body recognises that, as a body entrusted with both public and private funds, it has a particular duty to observe the highest standards of corporate governance at all times. In carrying out its responsibilities, it takes full account of the Code, which it formally adopted on 1st August 2015.

THE CORPORATION

The Governing Body

The members who served on the Governing Body during the year and up to the Approval Date were as listed below:

Member	Date of Appointment	Term of Office Expires	Date of Resignation	Governor Category	Committees Served	% Board meeting attendance	Overall attendance %
Mr H Aslam	09.10.20	08.10.22	29.01.21	Student		100	100
Ms A Blake	29.01.21	31.03.24	06.08.21	Independent		25	25
Mr B Blank	13.12.19	08.10.21	31.07.21	Student	QPS	100	83
Ms M Carabine	24.01.20	31.03.23		Independent		88	85

Governance Statement (*continued*)

Member	Date of Appointment	Term of Office Expires	Date of Resignation	Governor Category	Committees Served	% Board meeting attendance	Overall attendance %
Ms C Catmull	12.11.21	11.11.25		Staff (Academic)		100	100
Dr A Conn	06.10.17	31.03.25		Independent	Audit	100	100
Prof. S Donnelly	18.05.18	31.03.22		Independent	QPS	88	85
Mrs C George	23.5.14	31.03.25		Independent	Finance, QPS, QTG, SAG, EEC, EDISG, Safeguarding	88	95
Ms M Gilluley	30.01.17	N/A	06.06.21	Principal	Finance, ESAG, QPS, QTG, EDISG, Art 10, SAG, Safeguarding	100	98
Mr A Greaves	12.11.21	11.11.25		Staff (Business Support)		100	100
Mr G Hetherington	15.05.15	31.03.22		Independent	Finance, QPS, ESAG, SAG, Art 10, EEC, EDISG, Safeguarding	100	95
Ms F Hussain Butt	24.01.20	31.03.23		Independent	Art 10	88	94
Mr H Linn	16.03.18	31.03.22		Independent	Finance	88	94
Ms L Precious	26.01.18	25.01.22	31.07.21	Staff	QPS	100	93
Mr C Robinson	16.07.21	31.03.25		Independent	Finance	100	100
Mr J M Royle	17.05.06.	31.07.21	31.07.21	Independent	Finance, SAG, ESAG, Safeguarding	100	98
Mr P Singh	07.06.21	N/A		Principal	Finance, QPS, Art 10, SAG, EDISG, Safeguarding	100	100

Governance Statement (*continued*)

Member	Date of Appointment	Term of Office Expires	Date of Resignation	Governor Category	Committees Served	% Board meeting attendance	Overall attendance %
Mr S Stevenson	01.04.21	31.03.25	31.07.21	Staff	QPS	50	75
Mr N Taylor	06.10.17	31.03.21	31.03.21	Staff	QPS	100	100
Mr M Varyani	16.03.18	31.03.22		Independent	Finance	88	81
Mr I Wainwright	01.12.20	31.03.24		Independent	Search	100	100
Ms J Walters	16.07.21	31.03.25		Independent	Audit	100	100
Dr A Williams	08.07.16	31.03.24		Independent	Audit, EEC, QPS, QTG	100	92
Mr J Williams	12.07.12	31.07.21	31.07.21	Independent	Finance, ESAG, EEC, SAG, Audit	100	94
Ms G Woodyet	16.07.21	31.07.23		Student	QPS	100	100

Mrs J Green acted as Clerk to the Governing Body

The following persons whilst not being full members of the Governing Body, served as co-opted Committee members:

Members name	Date of Appointment	Term of Office Expires	Date of Resignation	Status of Appointment	Attendance 2020/21	Total Service to 31.7.21
Mr E Croston	01.09.18	31.03.22		Finance Committee	75%	2 years 11 mths
Mr M Pearmain	15.05.15	31.07.23		Audit Committee	100%	6 years

Expenses claimed from 1 August 2020 to 31 July 2021 by 3 members of the Governing Body totalled £202 (£796 in 2019/20 from 3 members).

The governance framework

It is the Governing Body's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Governing Body meets half-termly.

Governance Statement (*continued*)

The Governing Body is provided with regular and timely information on the overall financial performance of the College, together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. Over the course of the year 2020-21 and up to the Approval Date, the Governing Body delivered a portfolio of projects, more particularly described in the Members Report, including strengthening its Health & Safety framework, completing its 10-year estates strategy, approving a new Human Resources Strategy, recruiting and inducting a new Principal and Vice Principal Curriculum and Performance, and embarking on strategic conversations ahead of its Strategic Planning Day due to take place in January 2022.

The Governing Body conducts its business through a number of sub-committees. Each has terms of reference which are reviewed and approved by the Governing Body annually. The sub-committees are:

- Article 10 Panels (temporary panels attending to Senior Postholder appointments);
- Audit;
- Finance;
- Executive Employment (“EEC”);
- Quality, Performance & Standards (“QPS”);
- Safeguarding; and
- Search & Governance (“SAG”).

In addition, Governors attend and/or are members of certain operational and strategic working and task & finish groups, specifically:

- Higher Education & Skills Committee;
- Health & Safety Committee;
- Equality, Diversity & Inclusion Strategic Group (“EDISG”);
- Estates Strategic Advisory Group (“ESAG”)

One Governor is specifically linked to student voice within the College but all Governors take opportunities to listen to the voice of College students. Feedback from regular student surveys is discussed at board level and Governors also take an interest in the College and Student led engagement processes, follow the Student Union on social media, attend student events and observe Student Voice sessions, for example Student Parliament meetings. The Student Governor role is a key function and the Corporation invests in its student members, ensuring that training and support are provided.

A Quality Task Group (“QTG”) which operated during the Relevant Period has since stood down, having completed its work.

There are also frequent Chair, Clerk and Principal meetings (“CCPs”).

Full minutes of all sub-committee meetings, except those deemed to be confidential by the Governing Body, are available from the Clerk at the College’s registered address or, alternatively, on the College’s website: www.kirkleescollege.ac.uk.

The Clerk maintains a register of financial and personal interests of the Governors. The register is available for inspection on request.

All Governors are able to take independent professional advice in furtherance of their duties at the College’s expense and have access to the Clerk, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Governing Body as a whole.

Governance Statement (*continued*)

Formal agendas, papers and reports are supplied to Governors in a timely manner, prior to Board meetings. Briefings are provided on an ad-hoc basis.

The Governing Body has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Governing Body considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

There is a clear division of responsibility in that the roles of the Chair and Accounting Officer are separate.

COVID-19

Since March 2020, the impact of the COVID-19 coronavirus has caused the Governing Body to adapt its ways of working, taking the bulk of its processes online. Governors have continued to receive regular reports detailing the College's ongoing actions to respond to the pandemic and to adapt the business plan. Each successive Principal has maintained constant communication with the Chair regarding the situation and the Health & Safety Link Governor has also been involved in relevant discussions.

While a small number of Board and sub-committee meetings during the 2020-21 academic year were either face-to-face or hybrid (i.e. with the option to attend in person or to dial in), these were the exceptions; the majority of meetings during the Relevant Period and up to the Approval Date took place via Microsoft Teams.

The Chair of the Board has continued to liaise with a small peer-support network of other Governing Body chairs to exchange experiences and to share good practice. Meanwhile, the College's Audit sub-committee has continued to meet virtually and, via the auditors, was able to obtain assurance that the College's systems of internal control were continuing to operate soundly. The Head of Internal Audit opinion for 2020-21 was positive.

All sub-committees undertook self-assessment at the end of the financial year and, in each case, reported that they had fully discharged their governance remit. As the Governing Body had amended its Instrument of Government to permit teleconferencing, video-conferencing and decision-making by written resolution prior to the outbreak of the pandemic, there had never been any concerns about the validity of remote meetings. The Governing Body is satisfied that its framework of corporate governance has proved resilient to the enforced and new ways of working and has supported the corporate response to the pandemic effectively. In particular, Governors are satisfied that they have received adequate information regarding the impact of COVID-19, particularly on the College's revenue budget and cashflow.

During 2020/21, the College used the concession afforded by the Procurement Policy Notice (PPN) to continue paying for agency staff during the lockdown even though some of these hours were not being worked. This decision affected in the main, support workers for high needs learners and was taken on the basis that the college continued to receive funding for that support. It was also considered important to retain the goodwill of the local staffing agencies which the college relies upon to provide an ongoing supply of this crucial workforce.

In addition, the college continued to make payments to awarding bodies, even though examinations did not take place as normal. This was on the basis that the large awarding bodies undertook to calculate any savings they realised and pass on the savings through the issuing of credits against future exam series.

Governance Statement (*continued*)

The Accounting Officer was satisfied that the college was obtaining value for money in both of these cases by doing so.

Appointments to the Governing Body

Any new appointments to the Board are a matter for the consideration of the Governing Body as a whole. The Board has a Search & Governance Committee, having a minimum of three and up to seven members, which is responsible for the selection and nomination of any new Independent Governor for the Board's consideration, as well as for advising the Board on its governance arrangements.

Activities Undertaken to Develop Governors and the Clerk

The Governing Body is responsible for ensuring that appropriate training is provided for Governors and the Clerk.

All new Governors undertake induction training on joining the Board, which includes briefings from members of the senior leadership team. As a Board, Governors have had internal training on the Education Inspection Framework ("EIF") and have completed mandatory safeguarding training online. The Audit sub-committee received training from its Financial Statements Auditor on financial reporting challenges and the sub-committee's role. A majority of Audit members also attended a regional Association of Colleges briefing for college audit committees. Other training Governors have undertaken has included the FE Finance Virtual Masterclass with Andrew Tyley (completed by three Governors); an Association of Chairs session on board leadership on equality, diversity and inclusion; and the Association of Colleges Good Practice in Governance in Preparing for EIF masterclass. The Safeguarding Link Governor has completed substantial relevant training, including ETF training on grooming and extremism and on Safeguarding Learners with SEND, as well as an Association of Colleges session on sexual harassment. As a Board, Governors have completed more than 50 units of training and their full training record is available on request from the Clerk.

The Clerk is a qualified solicitor with over 13 years' experience of company secretarial work and providing charity law advice to the third sector, including six years clerking in the Further Education sector. During the Relevant Period, the Clerk completed 25 hours of continuing professional development, including attending the Northern Governance Conference and the Charity Law Association's Annual Conference, completing a company law refresher course, and attending briefings on managing serious incidents; retaining and recruiting trustees; charity governance in the age of COVID; and a webinar on the FE White Paper. The Clerk also regularly attends meetings of the Yorkshire & Humber Governance Professionals network and contributes to discussions in the FE Clerks Jiscmail forum.

Independent Governors are appointed for a term of office of up to four years. On the expiry of their term, they are eligible for re-appointment and those wishing to be considered for re-appointment are subject to a review of their performance. A member will normally be eligible for consideration for re-appointment for a maximum of two terms of office (or eight years) in line with the Code. Extension beyond two terms (or eight years) are made only in exceptional circumstances and normally for one year at a time, with annual reviews. Two individuals with relevant expertise were recently retained beyond their second term to support the achievement of the College estate strategy; they have now stepped down.

Governance Statement (*continued*)

Governing Body performance

Each year the Board carries out a self-assessment of its performance, drawing on annual reviews conducted by each sub-committee.

The Governing Body carried out a self-assessment of its own performance for the year ended 31 July 2021 and graded itself as “Good” on the Ofsted scale.

Executive Employment Committee (“EEC”)

During the year ending 31 July 2021, the EEC comprised Mrs C George, Mr G Hetherington, Mr A Williams and Mr J Williams. Mr Williams was recently succeeded by Mrs F Hussain Butt.

The EEC’s responsibilities are to make recommendations to the Governing Body on the remuneration and benefits of the Accounting Officer and other senior post holders, as well as the Clerk. The Governing Body adopted the Association of Colleges Senior Post Holder Remuneration Code on 12 July 2019 and, having had regard to the University of Chairs’ Higher Education Senior Staff Remuneration Code, decided not to adopt it for the following reasons:

- a) The Code covers the same areas and requires the College leadership to implement similar assurance and compliance measures;
- b) Both the Code and the Higher Education Senior Staff Remuneration Code are designed to provide transparency and protect institutional and sector reputation by demonstrating stewardship and leadership in relation to remuneration within institutions;
- c) The Code has been designed to be more directly relevant to the circumstances of colleges; and
- d) The Code is also identified in the EFA’s accounts direction as suitable for adoption.

Details of remuneration for the year ended 31 July 2021 are set out in note 7 to the financial statements.

Audit Committee

The Audit sub-committee comprises three Governors (excluding the Accounting Officer, Chair and Staff Governors) and one co-opted member.

The Audit Sub-Committee meets at least on a termly basis and provides a forum for reporting by the College’s internal auditors, reporting accountants and financial statements auditors, who have access to the Committee for independent discussion without the presence of College management. The Committee also receives and considers reports from the main FE funding bodies as they affect the College’s business.

The College’s internal auditors review the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input and report their findings to management and the Audit sub-committee.

Management is responsible for the implementation of agreed audit recommendations and internal audit undertakes periodic follow-up reviews to ensure such recommendations have been implemented.

Governance Statement (*continued*)

The Audit sub-committee also advises the Governing Body on the appointment of internal, regularity and financial statements auditors and their remuneration for both audit and non-audit work as well as reporting annually to the Board.

The Audit sub-committee met five times in the year to 31 July 2021. The members of the sub-committee and their attendance records are shown below:

Committee member	Meetings attended/possible attendances
Ms M Carabine	5/5
Dr A Conn	5/5
Mr M Pearmain	5/5
Dr A Williams	4/5
Mr J Williams	4/4

Finance Committee

The Finance sub-committee comprises between five and eight members of whom one is the College Principal, as well as one co-opted member with relevant experience.

The sub-committee's purpose is to determine and advise the Governing Body on all financial matters, in particular matters of budget monitoring and setting and recommendations for capital investment.

The Finance sub-committee meets at least once each term and as required.

Quality, Performance and Standards Committee

The Quality, Performance & Standards sub-committee comprises at least three and up to eight members, one being the College Principal.

The sub-committee's purpose is to have oversight of and monitor strategic objectives related to quality performance and standards, to advise the Governing Body on the setting of student targets, and to monitor on behalf of the Governing Body the College's overall curriculum framework, its quality and the contribution and impact of student and other support functions on the learner experience.

Safeguarding Committee

The Safeguarding Committee comprises three to five members. It meets once a term, with the object of supporting the nominated Link Governor for Safeguarding in providing assurance to the Governing Body on compliance with Safeguarding legislation and guidance.

INTERNAL CONTROL

Scope of Responsibility

The Corporation is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable, not absolute, assurance against material misstatement or loss.

Governance Statement (*continued*)

The Corporation has delegated to the Principal, as Accounting Officer, the day-to-day responsibility for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets for which he is personally responsible, in accordance with the responsibilities assigned to him in the Financial Memorandum between the College and the funding bodies. He is also responsible for reporting to the Corporation any material weaknesses or break-downs in internal control.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place at Kirklees College for the year-ended 31 July 2021 and up to the date of approval of the annual report and accounts.

Capacity to Handle Risk

The Corporation has reviewed the key risks to which the College is exposed, together with the operating, financial and compliance controls that have been implemented to mitigate those risks. The Corporation is of the view that there is a formal on-going process for identifying, evaluating and managing the College's significant risks that has been in place for the period ending 31 July 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Corporation.

The Risk and Control Framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:-

- Comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Corporation;
- Regular reviews by the Corporation of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

Kirklees College has an internal audit service which operates in accordance with the requirements of the ESFA's Post 16 Audit Code of Practice. The work of the internal audit service is informed by an analysis of the risks to which the College is exposed, and annual internal audit plans are based on this analysis. The analysis of risks and the internal audit plans are endorsed by the Corporation on the recommendation of the Audit Committee. The internal audit service regularly provides the Audit Committee with progress reports on internal audit activity in the College. The reports include the internal audit service's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

Governance Statement (*continued*)

In addition to the report produced by the internal auditors, the Audit Committee also produces for the Corporation an annual audit report. The purpose of this report is to advise the Corporation on the Committee's views on the adequacy of the College's systems and arrangements for risk management and governance processes.

COVID-19

The Corporation has been alert to the risks posed by Covid-19 on the internal control environment. In order to manage this risk, the majority of scheduled meetings have continued to take place virtually. The Corporation has remained well informed about how the college management team have responded to government requirements, particularly around control measures and testing.

The financial risks to the College were explicitly reported upon through the management accounts during 2020/21, and through the financial plan approved by the Corporation in July 2021.

Risks faced by the Corporation

The following key principles outline the College's approach to risk management and control:

- The Corporation has responsibility for overseeing risk management within the College as a whole;
- An open and receptive approach to solving risk problems is adopted by the SLT and Corporation;
- The Principal and the Senior Leadership Team propose, support and implement policies approved by the Corporation;
- The College makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks;
- Senior and middle managers are responsible for encouraging good risk management practice within their designated areas.

The College's risk management framework is discharged through the College Strategic Risk Register, which is owned and monitored by the Risk Management Group (Senior Leadership Team). It is developed in collaboration with the Governors and College managers based on the College's Strategic Plan and includes key risks to the achievement of its strategic aims.

Each college risk has a risk 'owner' who is responsible for the evaluation of the risk, the controls in place to manage the risk and the actions required to bring the risk level to the target level. These assessments are subject to scrutiny and challenge by the Risk Management Group, before being presented to audit committee for further scrutiny and challenge. The corporation receives a summary of the position on a termly basis.

The college has identified and evaluated 25 risks. Those scoring a high level of residual risk (in excess of a score of 15) have been disclosed in the strategic report on page 18.

Internal Audit

The internal audit service opinion for 2020/21 was:

"TIAA is satisfied that, for the areas reviewed during the year, Kirklees College has reasonable and effective risk management, control and governance processes in place.

Governance Statement (*continued*)

This opinion is based solely on the matters that came to the attention of TIAA during the course of the internal audit reviews carried out during the year and is not an opinion on all elements of the risk management, control and governance processes or the ongoing financial viability or your ability to meet financial obligations which must be obtained by Kirklees College from its various sources of assurance.”

The internal audit service undertook five internal audits during the year. They were:

- Estates – Property Compliance;
- Student records – Enrolment process
- ICT – Disaster recovery
- Transformation Project
- Key financial controls – Income and Debtors

Of these, only the Estates – property compliance audit resulted in a limited assurance opinion. The College Leadership Team have agreed a number of actions to address the concerns raised in the report and these have been accepted by the Internal Audit Service and the Corporation. Progress against these actions will be reported to each Audit Committee meeting until they are discharged.

Responsibilities under funding agreement

The Corporation keeps under review compliance with ESFA and other grant funding agreements and contracts ensuring that funding is used for the purposes given or generated. The Corporation also receives reports on specific conditions of grants such as the FE Capital grant. The Corporation ensures that the College makes key returns to the ESFA accurately and on time, including the Finance Record in January 2021 and the College Financial Forecast Return (CFFR) in July 2021.

The corporation believes its obligations have been fully discharged during 2020/21. This has been monitored through the framework of established reporting to the corporation and/or its sub-committees and through the establishment and implementation of robust financial regulations.

Statement from the audit committee

The audit committee has advised the board of governors that it is satisfied as to the adequacy and effectiveness of the College’s audit arrangements, framework of governance, risk management and control and processes for the efficient use of resources, the solvency of the institution and the safeguarding of its assets.

The specific areas of work undertaken by the audit committee in 2020/21 and up to the date of the approval of the financial statements were:

- Consideration of Internal Audit service plan and reports;
- Consideration of External financial statements plan and reports, including supporting papers;
- Consideration of External subcontract audit report;
- Regular monitoring of progress against audit report recommendations, including in depth review of progress against recommendations in ‘limited assurance’ internal audit reports;
- Oversight and challenge of management assessment of risk in the strategic risk register;
- Consideration of recommended changes to the Whistleblowing framework;
- Self-assessment of committee performance.

Governance Statement (*continued*)

The work of the audit committee was not impacted by Covid-19, with the exception of meetings taking place virtually rather than in person. All planned audits took place as planned and were received by the committee in accordance with the original schedule.

Review of Effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:-

- The work of the internal auditors;
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework; and
- Comments made by the College's financial statements and regularity auditors in their management letters and other reports

The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and other sources of assurance, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Senior Leadership Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the Directorates and reinforced by risk awareness training. The Senior Leadership Team and the Audit Committee also receive regular reports from internal audit and other sources of assurance, which include recommendations for improvement.

The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control. The Corporation's agenda includes a regular item for consideration of risk and control and receives reports thereon from the Senior Leadership Team. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception.

At its December 2021 meeting, the Corporation carried out the annual assessment for the year ended 31 July 2021 by considering documentation from the senior management team and internal audit, and taking account of events since 31 July 2021.

Based on the advice of the Audit Committee and the Principal, the Corporation is of the opinion that the College has an adequate and effective framework for governance, risk management and control, and has fulfilled its statutory responsibility for "*the effective and efficient use of resources, the solvency of the institution and the body and the safeguarding of their assets.*"

Approved by order of the Members of the Corporation on 13 December 2021 and signed on its behalf by:

Signed



Mr G Hetherington, Chair

Signed



Mr P Singh, Accounting Officer

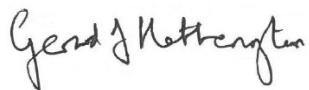
Statement of Regularity, Propriety and Compliance

The Corporation has considered its responsibility to notify the Education and Skills Funding Agency (ESFA) of material irregularity, impropriety and non-compliance with terms and conditions of funding, under the colleges's grant funding agreement and contracts with ESFA. As part of our consideration we have had due regard to the requirements of the grant funding agreements and contracts with ESFA.

We confirm, on behalf of the Corporation, that after due enquiry, and to the best of our knowledge, we are able to identify any material irregular or improper use of funds by the College, or material non-compliance with the terms and conditions of funding under the College's grant funding agreement and contract with the ESFA or any other public funder.

We confirm that no instances of material irregularity, impropriety or funding non-compliance have been discovered to date. If any instances are identified after the date of this statement, these will be notified to the ESFA.

Signed



Mr G Hetherington, Chair

Signed



Mr P Singh, Accounting Officer

Statement of Responsibilities of the Members of the Corporation

The Members of the Corporation, as charity trustees are required to present audited financial statements for each financial year.

Within the terms and conditions of the grant funding agreements and contracts with the ESFA, the Corporation, through its Accounting Officer, is required to prepare financial statements and an operating and financial review for each financial year in accordance with the Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, ESFA's college accounts direction and the UK's Generally Accepted Accounting Practice, and which give a true and fair view of the state of affairs of the College and its surplus/deficit of income over expenditure for that year.

In preparing the financial statements, the Corporation is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess whether the corporation is a going concern, noting the key supporting assumptions qualifications or mitigating actions as appropriate;
- prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.

The Corporation is also required to prepare a Members' Report which describes what it is trying to do and how it is going about it, including the legal and administrative status of the College.

The Corporation is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and which enable it to ensure that the financial statements are prepared in accordance with relevant legislation including the Further and Higher Education Act 1992 and Charities Act 2011, and relevant accounting standards. It is responsible for taking steps that are reasonably open to it to safeguard its assets and to prevent and detect fraud and other irregularities. The maintenance and integrity of the College website is the responsibility of the Corporation of the College; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of the Corporation are responsible for ensuring that expenditure and income are applied for the purposes intended by Parliament and that the financial transactions conform to the authorities that govern them. In addition, they are responsible for ensuring that funds from the ESFA are used only in accordance with ESFA's grant funding agreements and contracts and any other conditions that may be prescribed from time to time by the ESFA or any other public funder. Members of the Corporation must ensure that there are appropriate financial and management controls in place to safeguard public and other funds and to ensure they are used properly. In addition, members of the Corporation are responsible for securing economical, efficient and effective management of the College's resources and expenditure so that the benefits that should be derived from the application of public funds from the ESFA are not put at risk.

Approved by order of the Members of the Corporation on 13 December 2021 and signed on its behalf by:

Signed



Mr G Hetherington, Chair

Independent auditor's report to the Corporation of Kirklees College

Opinion

We have audited the financial statements of Kirklees College (the 'corporation') for the year ended 31 July 2021, which comprise The Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the corporation's affairs as at 31 July 2021 and of its deficit of income over expenditure for the year then ended; and
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and the Statement of Recommended Practice: Accounting for Further and Higher Education issued in October 2018 and any subsequent amendments

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Corporation's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the corporation to cease to continue as a going concern.

In our evaluation of the Corporation's conclusions, we considered the inherent risks associated with the corporation's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the Corporation and the related disclosures and analysed how those risks might affect the corporation's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the corporation's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Corporation's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Members of the Corporation with respect to going concern are described in the 'Responsibilities of the Members of the Corporation for the financial statements' section of this report.

Other information

The Members of the Corporation are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Office for Students ('OfS') accounts direction (issued October 2019)

In our opinion, in all material respects:

- funds from whatever source administered by the corporation for specific purposes have been properly applied to those purposes and managed in accordance with the relevant legislation;
- funds provided by the OfS, have been applied in accordance with the relevant terms and conditions, and any other terms and conditions attached to them, and
- the requirements of the OfS accounts direction (issued October 2019) have been met.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Post-16 Audit Code of Practice 2020 to 2021 issued by the Education & Skills Funding Agency requires us to report to you if, in our opinion:

- the corporation has not kept adequate accounting records; or
- the corporation's annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of the following matters where the OfS accounts direction (issued October 2019) requires us to report to you where:

- the corporation's grant and fee income, as disclosed in the note to the accounts, has been materially misstated; or
- the corporation's expenditure on access and participation activities for the financial year, as disclosed in the note to the accounts, has been materially misstated.

Responsibilities of the Members of the Corporation for the financial statements

As explained more fully in the statement of responsibilities of the Members of the Corporation set out on page 37, the Members of the Corporation are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members of the Corporation determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members of the Corporation are responsible for assessing the corporation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Members of the Corporation either intends to liquidate the corporation or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the corporation, and the sector in which it operates. We determined that the following laws and regulations were most significant;
 - financial reporting legislation (FEHE SORP 2019, United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102, the Colleges accounts direction 2020 to 2021 and the OfS Accounts Direction (October 2019));
 - regulatory environment (including the ESFA funding rules 2020 to 2021 and the OfS framework and relevant OfS regulatory notices)
 - Further and Higher Education Act 1992; and
 - The Code of Good Governance for English Colleges.

The engagement team remained alert to any indications of fraud and non-compliance with laws and regulations throughout the audit;

- We understood how the corporation is complying with these legal and regulatory frameworks by making inquiries of management, internal audit, and those charged with governance. We enquired of management and those charged with governance whether there were any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through our review of board minutes and papers provided to the Audit Committee, and through our legal and professional expenses review;
- To assess the potential risks of material misstatement, including how a fraud might occur, we obtained an understanding of:
 - The corporation's operations, including the nature of its sources of income, expected financial statement disclosures and risks that may result in risk of material misstatement; and
 - The corporation's control environment including the adequacy of procedures for authorisation of transactions

- We assessed the susceptibility of the corporation's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
 - Evaluating the processes and controls established to address the risks related to irregularities and fraud;
 - Testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions;
 - Challenging assumptions and judgements made by management in its significant accounting estimates;
 - Identifying and testing related party transactions; and
 - Completion of audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

- We assessed the appropriateness of the collective competence and capabilities of the engagement team, including consideration of the engagement team's knowledge and understanding of the industry in which the corporation operates in, its understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud, or non-compliance with laws and regulations throughout the audit.

From the procedures performed we did not identify any material matters relating to non-compliance with laws and regulations or matters in relation to fraud.

Use of our report

This report is made solely to the Members of the Corporation, as a body, in accordance with the terms of our engagement letter dated 13 July 2021. Our audit work has been undertaken so that we might state to the Members of the Corporation those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation and the Members of the Corporation as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
14/12/2021

Reporting accountant's assurance report on regularity

To the corporation of Kirklees College and Secretary of State for Education acting through Education and Skills Funding Agency ('ESFA')

In accordance with the terms of our engagement letter dated 13 July 2021 and further to the requirements and conditions of funding in ESFA's grant funding agreements and contracts, or those of any other public funder, we have carried out an engagement to obtain limited assurance about whether anything has come to our attention that would suggest that, in all material respects, the expenditure disbursed and income received by Kirklees College during the period 1 August 2020 to 31 July 2021 have not been applied to the purposes identified by Parliament and the financial transactions do not conform to the authorities which govern them.

The framework that has been applied is set out in the Post-16 Audit Code of Practice ('the Code') issued by the ESFA and in any relevant conditions of funding concerning adult education notified by a relevant funder. In line with this framework, our work has specifically not considered income received from the main funding grants generated through the Individualised Learner Record returns, for which the ESFA or devolved authority has other assurance arrangements in place.

Respective responsibilities of Kirklees College and the reporting accountant

The corporation of Kirklees College is responsible, under the requirements of the Further and Higher Education Act 1992, subsequent legislation and related regulations and guidance, for ensuring that expenditure disbursed and income received are applied for the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Our responsibilities for this engagement are established in the United Kingdom by our profession's ethical guidance and are to obtain limited assurance and report in accordance with our engagement letter and the requirements of the Code. We report to you whether anything has come to our attention in carrying out our work which suggests that, in all material respects, expenditure disbursed and income received during the period 1 August 2020 to 31 July 2021 have not been applied to purposes intended by Parliament or that the financial transactions do not conform to the authorities which govern them.

Approach

We conducted our engagement in accordance with the Code issued by ESFA. We performed a limited assurance engagement as defined in that framework.

The objective of a limited assurance engagement is to perform such procedures as to obtain information and explanations in order to provide us with sufficient appropriate evidence to express a negative conclusion on regularity.

A limited assurance engagement is more limited in scope than a reasonable assurance engagement and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a positive opinion.

Our engagement includes examination, on a test basis, of evidence relevant to the regularity of the college's income and expenditure.

The work undertaken to draw our conclusion includes:

- an assessment of the risk of material irregularity and impropriety across the college's activities;
- evaluation of the processes and controls established and maintained in respect of regularity and propriety for the use of public funds through observation of the arrangements in place and enquiries of management;
- consideration and corroboration of the evidence supporting the Accounting Officer's statement on regularity, propriety and compliance and that included in the Regularity self-assessment questionnaire (RSAQ); and
- limited testing, on a sample basis, of income and expenditure for the areas identified as high risk and included on the RSAQ.

Conclusion

In the course of our work, nothing has come to our attention which suggests that, in all material respects, the expenditure disbursed and income received during the period 1 August 2020 to 31 July 2020 has not been applied to purposes intended by Parliament and the financial transactions do not conform to the authorities which govern them.

Use of our report

This report is made solely to the corporation of Kirklees College and the ESFA in accordance with the terms of our engagement letter. Our work has been undertaken so that we might state to the corporation of Kirklees College and the ESFA those matters we are required to state in a limited assurance report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the corporation of Kirklees College, as a body, and the ESFA, as a body, for our work, for this report, or for the conclusion we have formed.

Grant Thornton UK LLP

Chartered Accountants
Leeds
14/12/2021

Statement of Comprehensive Income

	Note	2021 £'000	2020 £'000
INCOME			
Funding body grants	2	35,271	32,834
Tuition fees and education contracts	3	4,615	5,276
Other grants and contracts	4	285	131
Other income	5	1,150	1,756
Investment Income	6	1	2
Total income		41,322	39,999
EXPENDITURE			
Staff costs	7	28,254	27,172
Other operating expenses	8	10,746	10,306
Depreciation	11	4,491	4,355
Reversal of prior year impairment		-	-
Interest and other finance costs	9	1,597	1,567
Total expenditure		45,088	43,400
Deficit before other gains and losses and tax		(3,766)	(3,401)
Profit/(Loss) on disposal of assets		677	(39)
Deficit before taxation		(3,089)	(3,440)
Taxation		-	-
Deficit for the year		(3,089)	(3,440)
Unrealised gain on revaluation of investments		-	3
Actuarial gain/(loss) in respect of pension schemes	25	14,922	(18,332)
Total Comprehensive Income for the year		11,833	(21,769)
Represented by:			
Restricted comprehensive income		-	3
Unrestricted comprehensive income		11,833	(21,772)
		11,833	(21,769)

All activities are continuing activities.

The accompanying notes and accounting policies on pages 48 to 76 form an integral part of these financial statements.

Statement of Changes in Reserves

	Income and Expenditure account	Restricted reserve	Pension reserve	Total
	£'000	£'000	£'000	£'000
Balance at 1st August 2019	24,286	51	(29,997)	(5,660)
Deficit from the income and expenditure account	(242)	-	(3,198)	(3,440)
Other comprehensive income	(105)	3	(18,227)	(18,329)
Balance at 31st July 2020	23,939	54	(51,422)	(27,429)
Surplus/(deficit) from the income and expenditure account	1,137	-	(4,226)	(3,089)
Other comprehensive income	38	-	14,884	14,922
Balance at 31st July 2021	25,114	54	(40,764)	(15,596)

The accompanying notes and accounting policies on pages 48 to 76 form an integral part of these financial statements.

Balance Sheets as at 31 July

	Note	2021 £'000	2020 £'000
Fixed assets			
Tangible fixed assets	11	104,690	105,655
Investments	12	39	41
		<u>104,729</u>	<u>105,696</u>
Current assets			
Stocks		32	46
Assets held for resale		-	600
Trade and other receivables	13	1,212	1,828
Cash and cash equivalents	18	9,965	5,851
		<u>11,209</u>	<u>8,325</u>
Less: Creditors – amounts falling due within one year	14	(10,607)	(8,435)
Net current assets/(liabilities)		<u>602</u>	<u>(110)</u>
Total assets less current liabilities		<u>105,331</u>	<u>105,586</u>
Less: Creditors – amounts falling due after more than one year	15	(78,455)	(79,724)
Provisions			
Defined benefit obligations	17	(40,764)	(51,422)
Other provisions	17	(1,708)	(1,869)
Total net liabilities		<u>(15,596)</u>	<u>(27,429)</u>
Unrestricted reserves			
Income and expenditure account excluding pension reserve		25,114	23,939
Pension reserve	25	(40,764)	(51,422)
Total unrestricted reserves		<u>(15,650)</u>	<u>(27,483)</u>
Restricted reserve		<u>54</u>	<u>54</u>
Total reserves		<u>(15,596)</u>	<u>(27,429)</u>

The accompanying notes and accounting policies on pages 48 to 76 form an integral part of these financial statements.

The financial statements on pages 44 to 76 were approved and authorised for issue by the Corporation on 13 December 2021 and were signed on its behalf on that date by:

Mr. G Hetherington, Chair

Mr P Singh, Accounting Officer

Statement of Cash Flows

	Note	2021 £'000	2020 £'000
Cash inflow from operating activities			
Deficit for the year		(3,089)	(3,440)
Adjustment for non-cash items			
Depreciation	11	4,491	4,355
Decrease in stocks		14	2
Decrease/(Increase) in debtors		616	(265)
Increase/(decrease) in creditors due within one year		2,937	(831)
Increase in creditors due after one year		73	1,363
Decrease in provisions		(123)	(108)
Pension costs less contributions payable	25	4,226	3,198
Unrealised investment gain		2	-
Adjustment for investing or financing activities			
Interest payable		889	62
Interest receivable		(1)	(2)
(Profit)/loss on sale of fixed assets		(677)	37
Net cash flow from operating activities		9,358	4,371
Cash flows from investing activities			
Proceeds from sale of fixed assets		1,277	938
Payments to acquire fixed assets	11	(3,526)	(4,551)
		(2,249)	(3,613)
Cash flows from financing activities			
Interest paid		(943)	(62)
Interest received		1	2
Repayments of amounts borrowed		(2,053)	(2,000)
		(2,995)	(2,060)
Increase/(Decrease) in cash and cash equivalents in the year		4,114	(1,302)
Cash and cash equivalents at the beginning of the year	18	<u>5,851</u>	<u>7,153</u>
Cash and cash equivalents at the end of the year	18	<u>9,965</u>	<u>5,851</u>

The accompanying notes and accounting policies on pages 48 to 76 form an integral part of these financial statements.

Notes to the Accounts

1 Statement of accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation including going concern assumption

These financial statements have been prepared in accordance with the *Statement of Recommended Practice: Accounting for Further and Higher Education 2019* (the 2019 FE HE SORP), the College Accounts Direction for 2020 to 2021 and in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS 102). The College is a public benefit entity and has therefore applied the relevant public benefit requirements of FRS 102.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the College's accounting policies.

Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention.

Going concern

The financial health of the College had been a challenge for a number of years due to the level of historic debt from investment in the College's estate in 2010. With the exception of the 2017/18 financial year, the College has returned healthy cash based operating performance over recent years in spite of the underlying debt position, but years of responding to continued funding cuts and the need to improve the estate had an adverse impact on the Colleges solvency position.

In 2017/18 the College self-assessed its financial health as ‘Inadequate’. The ESFA concurred with this assessment and in October 2017 referred the College for FE Commissioner intervention. In response to the FE Commissioner recommendations, during 2017/18 the College prepared a comprehensive financial recovery plan which outlined a range of actions that would be taken to address the deteriorating financial position.

The plan was well received by the FE Commissioner team, and, following a visit in March 2018, the College received confirmation of the 2015 Area Review panel decision that the College should continue to remain a standalone institution and the FE Commissioner team recommended that a ‘Fresh Start’ application to the Restructuring Fund should be made recognising the significant progress that had been made in addressing the concerns raised at their initial visit.

The Restructuring Fund package of £3.8m loan and £6.6m grant was formally agreed and funds received by the end of March 2019. This package alongside actions taken by the College to improve its operating performance placed the College on a much firmer financial footing. Operating performance (one of the three key financial health measures along with solvency and debt to income ratios) has been sustained at a ‘good’ level in 2020/21 and solvency has continued to improve significantly. However, levels of debt remain high. £2m has been repaid in 2020/21 and a further £1.3m is forecast to be repaid in 2021/22. Under the method of financial health calculation on which the RF plan was based, the college has achieved ‘Good’ financial health in 2020/21, a year ahead of planned.

Notes (*continued*)

Although the accounts show a net liability position of £15.6m, the balance sheet is being impacted by a significant negative pension reserve of £40.8m. This liability is a long-term liability and the college is making contributions in line with the requirements of the pension scheme. At the date of the last full actuarial valuation in March 2019, the fund overall reported a funding level of 106%. Furthermore, the college has adequate provision within its future financial plans to meet the obligations arising from the reassessment of employer contributions from the March 2019 actuarial valuation which took effect from April 2020 and will run until March 2023.

The adjusted current ratio position as measured by the ESFA has improved from 1.28 in 2019/20 to 1.42 in 2020/21. This has been made possible by a combination of ongoing improvements in the operating position combined with the successful disposal of the last of the college surplus estate.

In preparing an assessment of going concern, the College has prepared a financial forecast that covers the period from August 2021 to July 2023. This forecast has been based upon a financial plan approved by the Corporation in July 2021, adjusted to reflect subsequent changes in the timing of capital expenditure, the notified increase to national insurance contributions and actual 2020/21 performance. The impact of Covid-19 on the forecast has been considered, and the college assessment is that any additional costs in 2021/22 arising from the pandemic can be absorbed within existing budget contingencies.

This forecast has been further underpinned by a comprehensive sensitivity analysis, which has considered 2021/22 enrolment as at October 2021, and models the financial plan and cashflow implications of no further enrolments against fee paying programmes, a reassessment of the 2022/23 contract for 16-18 activity, and a £0.5m shortfall in activity against the Adult Education Budget, but no cost mitigations in either the pay or non-pay budgets.

This exercise concluded that even under these extreme circumstances, the college has sufficient liquidity to continue to operate within available facilities for more than twelve months from the date of the approval of these financial statements.

The assessment confirmed a risk highlighted in the July 2021 financial plan, that unless advance agreement is secured from the Department for Education, the College will breach a Restructuring Fund loan performance covenant in 2021/22 as a result of a change in timing of capital expenditure on the Pioneer House capital project and the clawback of the Adult Education Budget underperformance in 2020/21. This is not however considered to impact on the going concern assessment. This is because by the time the risk has crystallised, the outstanding balance of the Restructuring Fund loan (£0.5m) due in February 2022 will have been repaid in full. The college projects it will have sufficient cash reserves to make this repayment when it is due.

Whilst uncertainties remain in respect of future enrolments and resultant funding, the College believes that there is an adequate level of flexibility within the staffing budget to be able to absorb short term reductions in income such that the operating position and cash flow can be sustained.

The Corporation, having considered the forecasts, sensitivity analysis and covenant requirements as described above, has a reasonable expectation that the College has adequate resources to continue in operational existence for the foreseeable future (being a period to end of the 2022/23 financial year) and accordingly the going concern basis has been adopted in the preparation of these financial statements.

Notes (*continued*)

Recognition of income

Government revenue grants include funding body recurrent grants and other grants and are accounted for under the accruals method as permitted by FRS 102. Funding body recurrent grants are measured in line with best estimates for the period of what is receivable and depend on the particular income stream involved. Any under achievement for the Adult Education Budget is adjusted for and reflected in the level of recurrent grant recognised in the income and expenditure account. The final grant income is normally determined with the conclusion of the year end reconciliation process with the funding body following the year end, and the results of any funding audits. 16-18 funding is not subject to reconciliation and is therefore not subject to contract adjustments.

The recurrent grant from OfS represents the funding allocations attributable to the current financial year and is credited direct to the Statement of Comprehensive Income.

The Restructuring Fund grant was recognised in the 2018/19 accounts when the initial performance conditions were met. An element of the grant could be repayable dependent on future performance being in excess of forecast, however as this is not known, this possibility is reported as a contingent liability.

Grants (including research grants) from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital grant funding

Government capital grants for buildings and equipment are capitalised, held as deferred income and recognised in income over the expected useful life of the asset, under the accrual model as permitted by FRS 102. Government capital grants for land and other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met. Income received in advance of performance conditions being met is recognised as deferred income within creditors on the Balance Sheet and released to income as conditions are met.

Fee Income

Income from tuition fees is stated gross of any expenditure which is not a discount and is recognised in the period for which it is received.

Donated equipment

Income from equipment donations is recognised as follows:

- New equipment is recognised at the new retail price (net) or the value of the supply.
- Used equipment is recognised at the book value on transfer.
- Where equipment has been provided at a material discount as part of a contribution to a project, the amount of discount received (net) is treated as a donation.

All other income and income from short-term deposits is credited to the income and expenditure account in the period in which it is earned on a receivable basis.

Notes (*continued*)

Accounting for post-employment benefits

Post-employment benefits to employees of the College are principally provided by the Teachers' Pension Scheme (TPS) and the Local Government Pension Scheme (LGPS). These are defined benefit plans, which are externally funded and contracted out of the State Second Pension.

Teachers' Pension Scheme (TPS)

The TPS is an unfunded scheme. Contributions to the TPS are calculated so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of valuations using a prospective benefit method.

The TPS is a multi-employer scheme and there is insufficient information available to use defined benefit accounting. The TPS is therefore treated as a defined contribution plan and the contributions recognised as an expense in the income statement in the periods during which services are rendered by employees.

West Yorkshire Local Government Pension Scheme (LGPS)

The LGPS is a funded scheme. The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred.

Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in interest and other finance costs.

Actuarial gains and losses are recognised immediately in Other Comprehensive Income.

Short term Employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Enhanced Pensions

The actual cost of any enhanced on-going pension to a former member of staff is paid by the College annually. An estimate of the expected future cost of any enhancement to the on-going pension of a former member of staff is charged in full to the College's income in the year that the member of staff retires. In subsequent years, a charge is made to provisions in the balance sheet.

Notes (*continued*)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Certain items of fixed assets that had been revalued to fair value on or prior to the date of transition to the FE HE SORP, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Land and buildings

Freehold land is not depreciated as it is considered to have an infinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives as follows:

- New and acquired buildings 50 years
- Refurbishments 10 years

Where part of a fixed asset has different useful lives, they are accounted for as separate items of fixed assets. This includes mechanical and electrical equipment purchased as part of a new build programme. These assets are depreciated over 10 years.

Where land and buildings are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred income account within creditors, and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a systematic basis consistent with the depreciation policy. The deferred income is allocated between creditors due within one year and those due after more than one year.

Finance costs that are directly attributable to the construction of land and buildings are not capitalised as part of the cost of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

On adoption of FRS 102, the College followed the transitional provision to retain the book value of land and buildings, which were revalued in 2013 as deemed cost but not to adopt a policy of revaluations of these properties in the future.

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July. They are not depreciated until they are brought into use.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the Statement of Comprehensive Income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Assets held for resale

Fixed assets held for resale are held at market value as assessed by professional property valuers.

Notes (*continued*)

Equipment

Equipment costing less than £1,000 per individual item (excluding IT equipment purchased in bulk) is written off to the Statement of Comprehensive Income in the period of acquisition. All other equipment is capitalised at cost.

Equipment is depreciated on a straight line basis over its useful economic life as follows:

Motor vehicles and general equipment	-	15% per annum
Computer equipment	-	33½ % per annum

Where equipment is acquired with the aid of specific grants, it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the Statement of Comprehensive Income over the expected useful economic life of the related equipment.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Financial Instruments

Investments

Listed investments held as non-current assets and current asset investments, are stated at fair value, with movements recognised in Comprehensive Income.

Inventories

Inventories are stated at the lower of their cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Cash and cash equivalents

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Notes (*continued*)

All loans, investments and short term deposits held by the College are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the College has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign currency translation

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in different currencies are translated at the rates of exchange ruling at the end of the financial year with all resulting exchange differences being taken to the income and expenditure account in the period in which they arise.

Maintenance of premises

The cost of routine corrective maintenance is recognised as expenditure in the period it is incurred.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK Corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by sections 478-488 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover around 1% of the VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

Provisions and contingent liabilities

Provisions are recognised when

- the College has a present legal or constructive obligation as a result of a past event
- it is probable that a transfer of economic benefit will be required to settle the obligation, and
- a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the balance sheet but are disclosed in the notes to the financial statements.

Notes (*continued*)

Agency arrangements

The College acts as an agent in the collection and payment of learner support funds and bursary funds. Related payments received from the funding bodies and subsequent disbursements to students are excluded from the Income and Expenditure of the College where the College is exposed to minimal economic benefit related to the transaction.

Income and expenditure related to subcontracted activity is reflected gross in the accounts on the basis that it controls this activity and bears a significant element of the related risk.

Restricted reserves

The College administers a number of small trust funds that have been established for the benefit of the students of the College. The assets of the funds are held in cash and investments on the College balance sheet with the corresponding liability being held in restricted reserves.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following:

Judgements:

- Determine whether leases entered into by the College either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the College's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.
- The College signed a 125 year lease at a peppercorn rent with Kirklees Council for Pioneer House in Dewsbury in June 2019 and refurbished the building throughout 2019/20 and 2020/21. Management have determined that there is 'right to use' asset that should be recorded in the financial statements to reflect the benefit to the College of holding this lease.

Estimation Uncertainties

- Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
- The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 25, will impact the carrying amount of the pension liability. Furthermore a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2019 has been used by the actuary in valuing the pensions liability at 31 July 2021. Any differences between the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

Notes (*continued*)

- The pension liability includes an estimate of the potential impact of the McCloud/Sargeant case and GMP equalisation on the reported pension figures. The provision for McCloud liabilities uses data from the 2019 full actuarial valuation of the West Yorkshire Pension Fund. The GMP equalisation provides for full indexation for members with a State Pension Age on or after 6th April 2016. Management have reviewed the assumptions set out by the fund actuary and have determined that they are both reasonable and appropriate for estimating the liability for Kirklees College.
- No assessment has been made in these financial statements of any potential liability arising from the second GMP equalisation ruling in October 2020 as the government has not yet acknowledged this liability, nor indicated any approach to rectifying it. The expected impact is not likely to be material.
- The fair value of the LEP overage obligation held on the balance sheet as a ‘loan’ has been determined based on a discount rate from the actual cost of a commercial loan in 2014. Given that the Bank of England base rate did not change between 2014 and 2016 when the LEP grant was received, it is considered to be a reasonable estimate of what a commercial loan would have cost if drawn at that time.
- The value of the Pioneer House lease as a ‘right to use’ has been assessed as follows:
 - Management engaged an external valuations expert to carry out an assessment of the annual asset value and this is deemed to be £8 sq ft per annum. This is based on £14 sq ft rental cost, less £6 sq ft expected ongoing maintenance costs. The maintenance costs are deducted from £14 sq ft to reflect that the benefit to the College is reduced by the fact that the College will have to incur significantly more running and ongoing maintenance costs for Pioneer than for an equivalent building; due to the fact that it is an old, Grade II Listed building.
 - The value of the asset based on this value and the square footage of the building is £128k per annum. Taking this annual value over the life of the lease and deducting amounts already spent and capitalised to date by the College for the development of the building, gives a total asset value of £9,670k. This is recorded as a leasehold asset within fixed assets and a deferred income creditor split between under 1 year and over 1 year. Both the asset and the liability will be released to income and costs respectively each year on a straight-line basis over the life of the asset, being 50 years as per our depreciation policy.
 - Other possible valuations of this asset give a range from £9 sq ft to £15 sq ft, which equates to a range of asset values of £11.6m to £23.7m and this wide range of valuations reflects that due to the uniqueness of this building there is uncertainty over the value of the benefit of the lease and limited comparatives in the market.
- The Members of the Corporation have assessed the fair value of this right to use asset based on independent expert advice and this fair value represents a conservative assessment based on the range of values and the options available.

Notes (*continued*)

2 Funding council grants	2021	2020
	£'000	£'000
Recurrent Grants		
Education and Skills Funding Agency 16-18	18,408	16,165
Education and Skills Funding Agency 16-18 high needs	2,700	1,980
Education and Skills Funding Agency – Adults	6,008	7,076
Education and Skills Funding Agency – Apprenticeships	4,976	4,824
Education and Skills Funding Agency – Other	43	15
Office for Students	153	187
Specific Grants		
Education and Skills Funding Agency – Teacher Pension Scheme Grant	645	613
Education and Skills Funding Agency – Capacity Funds	345	312
Education and Skills Funding Agency – Tuition Fund	247	-
Education and Skills Funding Agency – Covid support	25	-
Releases of government capital grants	1,721	1,662
Total	35,271	32,834
Higher Education – Grant and Fee Income		
	2021	2020
	£'000	£'000
Grant income from Office for Students	167	200
Fee income for taught awards	536	752
Total	703	952
3 Tuition Fees and Education Contracts		
	2021	2020
	£'000	£'000
Adult education fees	600	772
Apprenticeship fees and contracts	82	73
Fees for FE loan supported courses	594	771
Fees for HE loan supported courses	536	752
Total tuition fees	1,812	2,368
Education contracts	2,803	2,908
Total	4,615	5,276

Notes (*continued*)

4 Other grants and contracts

	2021 £'000	2020 £'000
Other grants and contracts	237	58
Coronavirus Job Retention Scheme Grant	48	73
Total	285	131

The corporation furloughed some of the catering and conferencing staff under the government's Coronavirus Job Retention Scheme. The funding received of £47,962 relates to staff costs which are included within the staff costs note below as appropriate.

5 Other income

	2021 £'000	2020 £'000
Catering and residences	206	512
Non-government capital grants	723	624
Miscellaneous income	221	620
	<hr/>	<hr/>
	1,150	1,756

6 Investment income

	2021 £'000	2020 £'000
Interest receivable	1	2
	<hr/>	<hr/>
	1	2

Notes (*continued*)

7 Staff costs

The average number of persons (including key management personnel) employed by College during the year, described as full-time equivalents, was:

	2021 No.	2020 No.
Teaching staff	300	297
Non-teaching staff	<u>357</u>	<u>367</u>
	<u>657</u>	<u>664</u>

Staff costs for the above persons

	2021 £'000	2020 £'000
Wages and salaries	19,349	19,338
Social security costs	1,653	1,637
Other pension costs	<u>7,137</u>	<u>6,058</u>
Subtotal staff costs	<u>28,139</u>	<u>27,033</u>
Contractual restructuring costs	<u>115</u>	<u>139</u>
Total staff costs	<u>28,254</u>	<u>27,172</u>

Key management personnel

Key management personnel are those having authority and responsibility for planning, directing and controlling the activities of the College and are represented by the College Senior Management Team which comprises the Principal, Deputy Principal, Vice Principal, Assistant Principals and Directors.

Emoluments of key management personnel, Accounting Officer and other higher paid staff

	2021 No.	2020 No.
The number of key management personnel including the Accounting officer was:	13	11

Notes (*continued*)

7 Staff costs (*continued*)

The number of key management personnel and other staff who received annualised emoluments, excluding pension contributions and employers national insurance but including benefits in kind, in the following ranges was:

	Key management personnel	
	2021 No.	2020 No.
£60,001 to £65,000	3	4
£65,001 to £70,000	1	1
£70,001 to £75,000	1	-
£75,001 to £80,000	2	1
£80,001 to £85,000	-	1
£85,001 to £90,000	1	-
£90,001 to £95,000	1	1
£145,001 to £150,000	1	1
	10	9

No other staff received emoluments excluding pension contributions but including benefits in kind in excess of £60,000 during the year. Numbers of key management personnel disclosed above vary from the number of key management personnel posts as a result of changes in post-holders in the year and only include those who have served for the full year. There are eleven key management personnel posts.

Two key management personnel started with the college during 2020/21 and one left. These are not reflected in the above bandings. Had they been employed for the full year, one would have fallen into the £60,001 to £65,000 band, one into the £90,001 to £95,000 band and one into a £140,001 to £145,000 band.

Key management personnel emoluments are made up as follows:

	2021 £'000	2020 £'000
Salaries gross of salary sacrifice	907	846
Employers National Insurance	112	104
Benefits in kind	2	2
	1,021	952
Pension contributions	186	166
Total key management personnel emoluments	1,207	1,118

Notes (*continued*)

7 Staff costs (*continued*)

The above emoluments include amounts payable to the Accounting Officer (who is also the highest paid officer) of:

	Postholder 1 £000's	Postholder 2 £000's	Total £000's	2021	2020
Salaries	146	21	167	145	
Employers national insurance	19	3	22	19	
Benefits in kind	2	-	2	2	
	<u>167</u>	<u>24</u>	<u>191</u>		166
Pension contributions	35	5	40		33
Total emoluments	<u>202</u>	<u>29</u>	<u>231</u>		199

The Accounting Officer changed during the year and there was a period of handover during which time there were two people in post.

The governing body adopted AoC's Senior Staff Remuneration Code in July 2019. It has assessed pay in line with its principles and will continue to do so in future.

The remuneration package of Senior Post Holders, including the Principal and Chief Executive, is subject to annual review by the Executive Employment Committee of the governing body who use benchmarking information to provide objective guidance.

The Principal and Chief Executive report to the Chair of Governing Body, who undertakes an annual review of her performance against the College's overall objectives using both qualitative and quantitative measures of performance.

The members of the Corporation did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

Relationship of Principal/Chief Executive pay and remuneration expressed as a multiple:

	2021	2020
Principal's basic salary as a multiple of the median of all staff	6.0	6.1
Principal's total remuneration as a multiple of the median of all staff	6.0	6.1

Agency workers have been excluded from the calculation of the pay multiple.

There has been no compensation for loss of office to former key management personnel in either of the years to July 2020 and July 2021.

Notes (*continued*)

8 Other operating expenses

	2021 £'000	2020 £'000
Teaching costs	4,441	4,579
Non-teaching costs	3,099	3,097
Premises costs	<u>3,206</u>	<u>2,630</u>
Total	<u>10,746</u>	<u>10,306</u>

Other operating expenses include:

Auditors' remuneration:

Financial statements audit	35	26
Other services provided by the financial statements auditors	1	1
Internal audit	11	11
Hire of land and buildings under operating leases	<u>6</u>	<u>9</u>

9 Interest payable

	2021 £'000	2020 £'000
On bank loans, overdrafts and other loans:	<u>889</u>	<u>954</u>
Pension finance costs (note 25)	<u>708</u>	<u>613</u>
Total	<u>1,597</u>	<u>1,567</u>

10 Taxation

The Members do not believe the College was liable for any corporation tax arising out of its activities during either period.

Notes (*continued*)

11 Tangible fixed assets

	Land and Buildings				
	Freehold £000	Long Leasehold £000	Under Construction £000	Equipment £000	Total £000
Cost or valuation					
At 1 August 2020	104,682	9,670	4,226	10,971	129,549
Additions	702	-	1,437	1,387	3,526
Transfer	5,663	-	(5,663)	-	-
Disposals	-	-	-	(660)	(660)
At 31 July 2021	111,047	9,670	-	11,698	132,415
Depreciation					
At 1 August 2020	15,608	-	-	8,286	23,894
Charge for the year	3,072	129	-	1,290	4,491
Eliminated in disposals	-	-	-	(660)	(660)
At 31 July 2021	18,680	129	-	8,916	27,725
Net book value at 31 July 2021					
	92,367	9,541	-	2,782	104,690
Net book value at 31 July 2020					
	89,074	9,670	4,226	2,685	105,655

The College signed a 125-year lease at a peppercorn rent with Kirklees Council for Pioneer House in Dewsbury in June 2019 and has refurbished the building throughout 2019/20 and 2020/21. Management have determined that there is 'right to use' asset that should be in the financial statements to reflect the benefit to the College of having a lease at peppercorn rent over 125 years.

The fair value of the right to use of this asset was assessed as £9.67m using independent third party advice and has been described in Note 1 to the accounts on page 56. The carrying value of £9.54m is recorded above as a long leasehold asset.

Notes (*continued*)**12 Investments**

	2021 £'000	2020 £'000
Listed Investments	39	41
	<hr/> <hr/> 39	<hr/> <hr/> 41

The investments are stated at market value as at 31st July.

13 Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year		
Trade receivables	257	436
Prepayments and accrued income	248	494
Amounts owed by the Education and Skills Funding Agency	569	422
Other debtors	138	476
	<hr/> <hr/>	<hr/> <hr/>
Total	1,212	1,828

14 Creditors: Amounts falling due within one year

	2021 £'000	2020 £'000
Local authority loans	792	753
Bank and ESFA loans	500	1,250
Trade payables	327	318
Pension scheme creditors	420	409
Other taxation and social security	416	634
Accruals and deferred income	4,520	2,236
Deferred income – government capital grants	2,538	2,257
Deferred income – government revenue grants	793	302
Other creditors	301	276
	<hr/> <hr/>	<hr/> <hr/>
Total	10,607	8,435

Notes (*continued*)

15 Creditors: Amounts falling after one year

	2021 £'000	2020 £'000
Local authority loans	16,484	17,276
ESFA loans	-	550
LEP overage liability	1,155	1,104
Deferred income - government capital grants	60,504	60,433
Other creditors	312	361
Total	78,455	79,724

The LEP overage liability is the present value of a sum of £1.4m repayable to the LEP in 2026, being the difference between the grant intervention rate received on the Process Manufacturing Centre in 2016 and the final grant to be recognised against the project. In line with the accounting requirements of FRS102 'basic' financial instruments, the discount rate of 4.56% applied is one considered to be reflective of commercial market rate at the time the grant was received.

16 Maturity of debt

Local Authority, Restructuring Fund loans and LEP overage liability

Bank loans and overage obligations are repayable as follows:

	2021 £'000	2020 £'000
In one year or less	1,292	2,003
Between one and two years	833	1,342
Between two and five years	2,764	2,629
In five years or more	14,042	14,959
Total	18,931	20,933

The Local Authority loan is a fixed rate 25 year term loan with an outstanding principal sum at 31 July 2021 of £17,276,395 at 5.08%. The Restructuring Fund loan is a variable rate loan of £3,800,000 at 0.25% margin above the PWLB standard rate, of which £500,000 was outstanding at the July 2021 year end. Both loans are secured on freehold land and buildings of the College. The carrying value of secured assets at 31 July 2021 is £86.8m.

Notes (*continued*)

17 Provisions for liabilities and charges

	Defined benefit Obligations £'000	Enhanced pensions £'000	Total £'000
At 1 August 2020	51,422	1,869	53,291
Expenditure in the period	(1,685)	(147)	(1,832)
Transferred from statement of comprehensive income	(8,973)	(14)	(8,987)
At 31 July 2021	40,764	1,708	42,472

Defined benefit obligations relate to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in Note 25.

The enhanced pension provision related to the cost of staff that have already left the College's employment and commitments for reorganisation costs from which the College cannot reasonably withdraw at the balance sheet date. This provision has been recalculated in accordance with guidance issued by the funding bodies.

The principal assumptions for this calculation are:

	2021	2020
Price Inflation	2.60%	2.20%
Discount Rate	1.60%	1.30%

18 Cash and cash equivalents

	At 1 August 2020 £'000	Cash Flows £'000	Other changes £'000	At 31 July 2021 £'000
Cash and cash equivalents	5,851	4,114	-	9,965
Total	5,851	4,114	-	9,965

Notes (*continued*)

19 Reconciliation of Net Debt

	At 1 August 2020 £'000	Cash Flows £'000	Non- cash changes £'000	At 31 July 2021 £'000
Cash and cash equivalents	5,851	4,114	-	9,965
Borrowings: secured loans due under one year	2,003	(2,003)	1,292	1,292
Borrowings: secured loans due over one year	18,930	-	(1,291)	17,639
Total	<u>15,082</u>			<u>8,966</u>

20 Capital commitments

	2021 £'000	2020 £'000
Commitments contracted for at 31 July	238	1,892

21 Lease Obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	2021 £'000	2020 £'000
Land and buildings		
Not later than one year	8	8
Later than one year and not later than five years	1	1
Later than five years	-	-
	<u>9</u>	<u>9</u>

In June 2019 the College signed a lease with Kirklees Council for Pioneer House in Dewsbury. The lease runs for 125 years at an annual peppercorn rent. The fit-out costs incurred by the College have been capitalised and are part of land and buildings assets in note 11. The College holds the responsibility for the maintenance, security and insurance on the building.

Notes (*continued*)

22 Financial assets and liabilities

	2021 £'000	2020 £'000
Financial assets measured at amortised cost	1,053	1,382
Financial assets held at fair value	39	41
Financial liabilities measured at amortised cost	25,378	24,500

The disclosure above reflects the sum of balance sheet assets and liabilities at July year ends that are due to be settled in cash after year end. Financial assets measured at amortised cost includes trade and other receivables which will be settled in cash. Financial liabilities measured at amortised cost include trade creditors and other payables, including loans but excluding tax and pension liabilities which will be settled in cash.

23 Contingent liabilities

The Restructuring Fund grant agreement agreed by the College in 2018/19 includes provision for the DfE to request 50% of any financial performance exceeding that specified in the agreement to be repaid. The identification of any overperformance is subject to a number of adjustments, and any repayment agreed is due within 30 days of a request by the DfE. As the occurrence and timing of these conditions is not known, no provision has been made for any repayment in these financial statements.

24 Events after the reporting period

No events are reported.

Notes (*continued*)

25 Defined benefit obligations

The College's employees belong to two principal post employment benefit plans, the Teachers' Pension Scheme (TPS) for academic and related staff; and the Local Government Pension Scheme (LGPS) for non-teaching staff, which is managed by the West Yorkshire Pension Fund. Both are multi-employer defined-benefit plans.

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal actuarial valuations of the TPS was 31 March 2019 and of the LGPS 31 March 2019.

Total pension cost for the year	2021 £'000	2020 £'000
Teachers' Pension Scheme: contributions paid	1,945	1,869
Local Government Pension Scheme:		
Contributions paid (including enhancements on redundancy)	1,685	1,627
FRS 102 (28) charge	3,518	2,585
	5,203	4,212
Charge to the Statement of Comprehensive Income	7,148	6,081
Enhanced pension (credit)/charge to Statement of Comprehensive Income	(13)	143
Total Pension Cost for Year	7,135	6,224

Contributions amounting to £420,337 (2020 £409,097) were payable to the schemes at 31 July and are included within creditors.

Teachers' Pension Scheme

The Teachers' Pension Scheme (TPS) is a statutory, contributory, defined benefit scheme, governed by the Teachers' Pension Scheme Regulations 2014. These regulations apply to teachers in schools and other educational establishments, including colleges. Membership is automatic for full-time teachers and lecturers at eligible institutions. Teachers and lecturers are able to opt out of the TPS.

The TPS is an unfunded scheme and members contribute on a 'pay as you go' basis – these contributions, along with those made by employers, are credited to the Exchequer under arrangements governed by the above Act. Retirement and other pension benefits are paid by public funds provided by Parliament.

Under the definitions set out in FRS 102 (28.11), the TPS is a multi-employer pension plan. The College is unable to identify its share of the underlying assets and liabilities of the plan.

Accordingly, the College has taken advantage of the exemption in FRS 102 and has accounted for its contributions to the scheme as if it were a defined-contribution plan. The College has set out above the information available on the plan and the implications for the College in terms of the anticipated contribution rates.

Notes (*continued*)

25 Defined benefit obligations (*continued*)

The valuation of the TPS is carried out in line with regulations made under the Public Service Pension Act 2013. Valuations credit the teachers' pension account with a real rate of return assuming funds are invested in notional investments that produce that real rate of return.

The latest actuarial review of the TPS was carried out as at 31 March 2019. The valuation report was published by the Department for Education (DfE) in April 2019. The valuation reported total scheme liabilities (pensions currently in payment and the estimated cost of future benefits) for service to the effective date of £218 billion, and notional assets (estimated future contributions together with the notional investments held at the valuation date) of £198 billion giving a notional past service deficit of £22 billion.

As a result of the valuation, new employer contribution rates were set at 23.68% of pensionable pay from September 2019 onwards (compared to 16.48% during 2018/19). DfE paid a teacher pension employer contribution grant to cover the additional costs during the 2020-21 academic year.

A full copy of the valuation report and supporting documentation can be found on the Teachers' Pension Scheme website.

The pension costs paid to TPS in the year amounted to £1,945,019 (2020: £1,869,825).

Local Government Pension Scheme

The LGPS is a funded defined-benefit plan, with the assets held in separate funds administered by the West Yorkshire Pension Fund. The total contribution made for the year ended 31 July 2021 was £2,281,989 of which employees contributions deducted through payroll totalled £608,328 and employer's contributions totalled £1,673,662. The agreed contribution rate for future years are 18% for the employer for the 2021/22 year rising in annual increments of 1% per year until 2022/23 and range from 5.5% to 12.5% for employees depending on salary.

Principal Actuarial Assumptions

The following information is based on a full actuarial valuation of the fund at 31 March 2019 updated to 31 July 2021 by a qualified actuary.

	At 31 July 2021	At 31 July 2020
Rate of increase in salaries	3.85%	3.55%
Future pensions increases	2.60%	2.30%
Discount rate for scheme liabilities	1.70%	1.40%
Inflation assumption (CPI)	2.60%	2.30%
Commutation of pensions to lump sums	75%	75%

Notes (*continued*)

25 Defined benefit obligations (*continued*)

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 July 2021 Years	At 31 July 2020 Years
<i>Retiring today</i>		
Males	21.9	21.8
Females	24.7	24.6
<i>Retiring in 20 years</i>		
Males	22.6	22.5
Females	25.8	25.7
 Asset Allocation:	 At 31 July 2021	 At 31 July 2020
Equities	80.2%	77.7%
Property	3.7%	4.3%
Government Bonds	8.2%	10.0%
Corporate Bonds	4.4%	5.0%
Cash	2.2%	1.6%
Other	1.3%	1.4%
Total	100%	100%

The amount included in the balance sheet in respect of the defined benefit pension plan is as follows:

	2021 £'000	2020 £'000
Fair value of plan assets	83,139	69,076
Present value of plan liabilities	(123,903)	(120,498)
 Net pensions liability (Note 17)	(40,764)	(51,422)

Amounts recognised in the Statement of Comprehensive Income in respect of the plan are as follows:

	2021 £'000	2020 £'000
Amounts included in staff costs		
Current service cost net of employer contributions	3,509	2,563
Past service cost	-	22
Curtailment cost	9	-
 Total	3,518	2,585

Notes (continued)**25 Defined benefit obligations (continued)**

	2021 £'000	2020 £'000
Amounts included in interest and finance costs		
Net interest charge	<u>708</u>	<u>613</u>
Amounts recognised in Other Comprehensive Income		
Return on pension plan assets	12,980	(5,097)
Experience losses arising on defined benefit obligations	<u>1,904</u>	<u>(13,130)</u>
Amount recognised in Other Comprehensive Income	<u>14,884</u>	<u>(18,227)</u>
Movement in net defined benefit liability during the year		
Deficit in scheme at 1 August	(51,422)	(29,997)
Movement in year:		
Current service cost	(5,194)	(4,190)
Past service cost	-	(22)
Curtailment cost	(9)	-
Employer contributions	1,685	1,627
Net interest on the defined liability	(708)	(613)
Actuarial gain/(loss)	14,884	(18,227)
Net defined benefit liability at 31 July	<u>(40,764)</u>	<u>(51,422)</u>
Asset and Liability Reconciliation		
Changes in the present value of defined benefit obligations	2021 £'000	2020 £'000
Defined benefit obligations at start of period	120,498	102,877
Current service cost	5,194	4,190
Past service cost	-	22
Curtailment cost	9	-
Interest cost	1,676	2,141
Contributions by Scheme participants	609	618
Actuarial (gain)/loss	(1,904)	13,130
Estimated benefits paid	(2,179)	(2,480)
Defined benefit obligations at end of period	<u>123,903</u>	<u>120,498</u>

Notes (*continued*)

25 Defined benefit obligations (*continued*)

Reconciliation of Assets

	2021 £'000	2020 £'000
Fair value of plan assets at start of period	69,076	72,880
Interest on plan assets	968	1,528
Actuarial gain/(loss)	12,980	(5,097)
Employer contributions	1,685	1,627
Contributions by Scheme participants	609	618
Estimated benefits paid	(2,179)	(2,480)
 Assets at end of period	 83,139	 69,076

Transitional Protection Arrangements (McCloud)

Following the loss of a court case (the McCloud judgement) which found that transitional protections put in place when two public sector pension schemes were reformed were age discriminatory, the government committed in July 2019 to seeking a remedy across all public sector schemes. The College's pension liabilities in respect of the West Yorkshire Pension Fund have increased due to this although the method of remedy and hence the amount of the increase in liabilities is not yet known. The fund actuary calculated an approximate estimated liability of £0.985m which was recognised during 2018/19 in the Statement of Comprehensive Income and Expenditure as an exceptional past service cost. Changes to the estimated liability in 2020/21 have been recognised through actuarial gains/losses.

The MHCLG has proposed a remedy in a consultation issued in July 2020. A full government response is expected in late 2021, however the valuation method used by the college actuaries and therefore reflected in the college pension liability is closely aligned with that consultation.

Guaranteed Minimum Pension equalisation

Defined benefit pension schemes will be affected by the ultimate resolution of the equalisation of benefits for men and women in relation to Guaranteed Minimum Pension provisions. The method of equalisation has increased the College's pension liabilities in respect of the West Yorkshire Pension Fund and the fund actuary calculated an estimated liability of £0.203m which was recognised during 2018/19 in the Statement of Comprehensive Income and Expenditure as part of the service cost in excess of contributions. Changes to the estimated liability in 2020/21 have been recognised through actuarial gains/losses.

In October 2020 a second ruling in the Lloyds Bank case clarified that compensation would be required to members transferring benefits out since May 1990. The government has not yet acknowledged this liability, nor indicated an approach to rectifying this. No adjustment has been made in these financial statements to reflect any potential liability arising from this, and whilst the impact of this is not known, the original equalisation impact was £0.2m and it is likely that the impact of the second equalisation will be smaller. The college does not consider the impact will therefore be material.

Notes (*continued*)

25 Defined benefit obligations (*continued*)

Widower Benefits (Goodwin)

Following an Employment Tribunal in June 2020 that ruled that a female member in an opposite sex marriage is treated less favourably than a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on the grounds of sexual orientation, the government announced in July 2020 that it believed changes would be required to all public sector schemes with similar arrangements. This change is yet to be reflected in the LGPS regulations and translated into West Yorkshire Pension Fund changes, so no allowance has been made in the accounting figures at this time. It is expected that the impact will be approximately 0.2% of the defined benefit obligation, but could be as high as 0.5% dependent on membership profile.

Cost Management in the LGPS

Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure that it remains sustainable and affordable.

HM Treasury and the SAB had paused their reviews following the 'McCloud' judgement in the Court of Appeal. These have now been unpause and HMT Directions are expected to be made over 2021 which will allow the Treasury and SAB reviews to proceed. It is unlikely the outcome of those reviews will be known in 2021 and at the time of writing no changes in benefits or member contributions are expected until 2024. No allowance has therefore been made for this in the accounting results presented.

Actuarial sensitivity

The information presented is sensitive to changes in key underpinning assumptions.

A change of 0.1% or -0.1% on the assumptions below would have the following impact on the % and monetary change in present value of total obligations:

Change in discount rate assumption	-2.1% to 2.2% or -£2.53m to £2.65m
Change in increase in salary assumption	0.2% to -0.2% or £0.24m to -£0.24m
Rate of increase to pensions	1.9% to -1.9% or £2.29m to -£2.29m

A change of -1 year or +1 year in mortality assumptions would impact the % change in present value of total obligations by 3.8% to -3.8% or £4.58m to £-4.58m.

26 Related Party Transactions

Owing to the nature of the College's operations and the composition of the Board of Governors (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

The total expenses paid to or on behalf of the Governors during the year was £202, 3 governors (2019/20 £796, 3 governors). This represents travel and subsistence expenses and other out of pocket expenses incurred in attending Governor meetings and charity events in their official capacity. No Governor has received any remuneration or waived payments from the College during the year.

Notes (*continued*)

26 Related Party Transactions (*continued*)

The Corporation of Kirklees College and Ms M Gilluley as Principal and Chief Executive of Kirklees College were the sole trustees of a charitable trust known as Dewsbury Endowed Schools Foundation Trust (DESFT). The members of the Corporation are not themselves trustees. The charity is registered with the Charity Commission under registration 529328. During 2020/21, the trust applied for and was given consent by the Charity Commission to dispose of the property known as the Oldroyd Building and reinvest the proceeds in the Kirklees College Dewsbury Learning Quarter development. The Oldroyd Building was part of the college Halifax Road campus, sold in February 2021. The other buildings on that site were not part of the DESFT.

Kirklees College is one of seven equal college partners in the West Yorkshire College's Consortium, a company limited by guarantee. The object of the company is the bidding for, managing and/or delivering contracts relating to the provision of training. The level of activity undertaken by the company in 2020/21 (a forecast turnover of £3.1m and a breakeven forecast) has been assessed as not material in the context of the Kirklees College financial statements and has therefore not been consolidated.

27 Amounts disbursed as agent

	2021 £'000	2020 £'000
Learner support funds		
Local authority bursary	136	-
Funding body grants – bursary support	184	188
Funding body grants – learner support	804	868
Vulnerable Young People bursaries	165	148
	<hr/> 1,289	<hr/> 1,204
Disbursed to students	(952)	(1,027)
Administration costs	(44)	(53)
Balance unspent as at 31 July, included in creditors	<hr/> 293	<hr/> 124

Funding council grants are available solely for students. In the majority of cases, the College only acts as paying agent. In these circumstances, the grants and related disbursements have therefore been excluded from the Statement of Comprehensive Income.

Notes (*continued*)

28 Access and Participation

	2021 £'000	2020 £'000
Access Investment	293	256
Financial Support	10	14
Disability Support	-	-
Research and Evaluation	-	-
Total	303	270

The College Access and Participation plan can be found on the College website under policies and reports.

The sum disclosed for Access Investment includes £123,009 (2019/20 £127,765) which is included within staff costs disclosed at Note 7 of these financial statements.